Russian economy
Darker forces gain the upper hand
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"The City's not fun any more."
An interview with Lord Stevens
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FINANCIAL TIMES

Wednesday August 5 1992 — EUROPE'S BUSINESS NEWSPAPER — D8523A

Mandela to lead march in Pretoria as protest holds

Organisers of the week of protest in South Africa announced plans to occupy city centres and business districts as millions of workers stayed at home on the second, final day of the general strike. The African National Council said marches would take place across the country, with Nelsen Mandela, the ANC president, leading a protest in Pretoria. Employers' organisations contested ANC claims that 4m workers had stayed away, out of a total labour force of 6m. Page 3; S Africa protests enter critical phase, Page 12. Armed white members of the para-military Afrikaner Resistance Movement failed to halt a protest march by 3,000 supporters of the African National Congress and its communist and labour allies through Krugersdorp.

Kenyan athletes may quit Olympics: Kenya's track and field squad may pull out of the Games if the controversial reinstatement of Moroccan runner Khalid Skah as men's 10,000 metres gold medallist is not overturned. Skah was first disqualified in favour of Kenya's Richard Chelimo, then reinstated on appeal. Page 7

Kuwait, US marines in amphibious assault vehicles, escorted by low-flying helicopter gunships, landed on the Kuwait coast. Exercise Eager Mace, planned last year, is the first of three exercises in Kuwait that will involve more than 5,000 US troops in landing, live fire and tank manoeuvres during the coming month. In Iraq, a new, 26-strong UN weapons inspection team will enter the country shortly and immediately begin work, a senior UN official said. Security council comes under fire, Page 3

Royal Bank of Scotland is being sued for up to £418m ($798.38m) and National Westminster Bank for more than £71m by the liquidators of a small banking group at the heart of an alleged fraud which was closed down last year by the Bank of England. The damages claims stem from allegations that substantial payments which should have been made to the Wallace Smith Trust Company were made by the banks to another company, Wallace Smith Holdings Limited. Page 12; Lex, Page 12; NatWest profits rise sharply despite record lending losses, Page 13; Royal Bank of Scotland warns on bad debts, Page 14

Brazil: Education minister Jose Goldemberg resigned, saying President Fernando Collor de Mello's government was more worried about its own survival than about the country. He is the first cabinet member to resign since the government corruption scandal broke two months ago. Page 4

New Zealand: Sir Robert Muldoon, prime minister from 1975 to 1984, died in hospital.

Germany: the country's highest court blocked a liberal abortion law which was due to have come into force at midnight. The law would let women end pregnancies almost without limit during the first 12 weeks. The move leaves separate abortion laws in east and west Germany temporarily intact. Page 2

Dresdner Bank became the second of Germany's big three banks to report robust profits for the first six months of the year. Buoyed by strong lending demand and greater fee income, Dresdner's partial operating profits rose by 20 per cent to DM1.28bn ($869m), better than the market was expecting. Page 13

Fujitsu, Japanese computer maker, is likely to draw criticism in the US when it ends production immediately at its semiconductor plant in San Diego. Page 16; Hills warns Tokyo of 'actions' in chip row, Page 4

Walbrook Insurance, the UK insurance and re-insurance company with net liabilities of £170m, passed into provisional liquidation on the instructions of the High Court in London. Page 13

STOCK MARKET INDICES		
FT-SE 100:	2,487.5	(−12.7)
Yield	5.09	
FT-SE Eurotrack 100	1,076.44	(+7.27)
FT-A All-Share	1,146.41	(−0.4%)
FT-A World Index	138.06	(-0.2%)
Nikkei	15,692.59	(−16.86)
New York		
Dow Jones Ind Ave	3,384.32	(−11.08)
S&P Composite	424.36	(−0.73)
US CLOSING RATES		
Federal Funds:	3 3/16%	(3 3/16%)
3-mo Treas Bills: Yld	3.23%	(3.229%)
Long Bond	106 3/4	(106 1/2)
Yield	7.425%	(7.445%)
LONDON MONEY		
3-mo Interbank	10 5/16%	(10 7/16%)
Liffe long gilt future:	Sep 96 22/32	(Sep 97 3/16)
NORTH SEA OIL (Argus)		
Brent 15-day (Sept)	$19.925	(20.35)
Gold		
New York Comex (Aug)	$352.7	(352.6)
London	$352.75	(353.5)

STERLING		
New York :		
$	1.919	(1.9255)
London:		
$	1.922	(1.924)
DM	2.835	(2.84)
FFr	9.5775	(9.595)
SFr	2.5375	(same)
Y	244.5	(244.75)
£ Index	92.1	(92.4)
DOLLAR		
New York :		
DM	1.4772	(1.4733)
FFr	4.99	(4.9755)
SFr	1.324	(1.31635)
Y	127.25	(127.16)
London:		
DM	1.475	(1.476)
FFr	4.9825	(4.9875)
SFr	1.32	(1.3185)
Y	127.25	(same)
$ Index	80.3	(same)
Tokyo close Y 127.28		

Austria	Sch30	Hungary	Ft162	Malta	Lm0.50	S.Arabia	SR9.00
Bahrain	Din1.000	Iceland	IKr180	Morocco	MDh11	Singapore	S$4 10
Belgium	BFr60	India	Rs20	Neth	Fl 3.50	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr14
Czech	Kcs35	Israel	Shk5.60	Norway	NKr15.00	Switz	SFr3 00
Denmark	DKr14	Italy	L2500	Oman	OR1.20	Thailand	Bht50
Egypt	E£4.00	Jordan	JD1.20	Pakistan	Rs35	Tunisia	Din1.000
Finland	FM10	Korea	Won 2500	Philippines	Pso45	Turkey	L6000
France	FFr8.50	Kuwait	Fils 500	Poland	Zl 18,000	UAE	Dh9.00
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es190		
Greece	Dr250	Lux	LFr60	Qatar	QR10.00		

EFA consortium countries will try to find drastic cost reductions

Freeze on fighter contracts

By Peter Bruce in Madrid

A THREE-MONTH freeze in new contracts in the development of the controversial European Fighter Aircraft was agreed yesterday by defence ministers from the consortium countries of Germany, Britain, Italy and Spain.

In the meantime, studies will be undertaken to find drastic cost reductions in the £20bn project and to redefine the aircraft's military role.

The ministers, meeting in Madrid, stopped short of suggesting that the EFA would not be built. But Spain and Germany – which triggered a crisis in the consortium earlier this summer by declaring it would not enter into the production phase of the aircraft – left little doubt that the original project is on the verge of being abandoned.

"The EFA is dead," said Mr Volker Rühe, the German defence minister. His Spanish counterpart, Mr Julian García Vargas, said: "Our current economic situation will not permit us to go into production of the EFA as it stands."

Only Mr Malcolm Rifkind, the UK defence secretary, tried to sound an enthusiastic note by insisting that Germany had agreed to continue the development phase of the EFA. But Mr Rühe, who has never threatened otherwise, noted that for the first time "London has shown a readiness to discuss a reduction of the military and strategic requirements of the aircraft".

In a clear reference to Mr Rühe's calls for a cheaper and lighter EFA, Mr Rifkind said: "We very much hope that the decisions eventually taken will be informed rather than those based on simple assertions without any supporting hard evidence . . . It is unlikely that any project which does not take advantage of the huge expense already undertaken on development will end up being less expensive than the EFA."

He said a 30 per cent reduction in unit costs sought by Spain was a broad target and "we are happy they should look at that". The decision to freeze new development contracts, he said, was symbolic as there were, so far as he knew, no new ones pending.

Mr Garcia Vargas said the ministers had agreed that no new contracts would be awarded between now and the end of October. During this time the air forces of the four countries would study alternative military requirements. A steering committee established a month ago is working on ways to save costs.

Mr Garcia Vargas said the ministers would meet again in November to take a final decision on whether or not to proceed with the EFA or to try to build a lighter, cheaper version or to begin work, possibly with other partners and investors – including Saudi Arabia – on a new aircraft. He warned that the "pause" would mean a delay in the production of whatever aircraft it was decided to build.

Spain would insist on a twin engined aircraft but he said the studies would look at changes in all aspects of the EFA, including the airframe, which Britain has been keen to protect. Mr Rifkind said the most important element of yesterday's talks was that EFA development would continue with German participation.

Journalists in Sarajevo carry to safety a woman injured by mortar fire yesterday at the funeral of the two children – one of them her grandchild – killed at the weekend by sniper fire. The woman was seriously hurt. Isolated Macedonia holds on to stability and a name, Page 2; Anguish of migration, Page 12

Goods for troops scam costs Bonn DM1bn

By Leslie Colitt in Berlin

SOVIET emigré gangs have been defrauding the German government of hundreds of millions of D-Marks by faking the delivery of consumer goods to the former Soviet armed forces in eastern Germany, according to Berlin police.

Mr Uwe Schmidt, a superintendent heading the police investigation, estimated yesterday that "more than DM1bn" ($660m) had been embezzled out of the DM3bn Germany had agreed to pay for supplies to the former Soviet forces until their withdrawal in 1994.

The contracts were secured by Soviet emigré gangs, via Soviet officers, and fictitious deliveries were recorded for cigarettes, food, alcohol, hi-fi units, televisions and video recorders for the troops. Police say in a typical case the gangs bribed Russian officers to order tax-free liquor in bulk for the armed forces from a Berlin company. A bill was provided and payment made but the liquor never reached the troops; it was resold on the open market at a higher price.

The police became aware of the embezzlement scheme because of a flood on to the market of cigarettes, alcohol and electronics goods.

Large quantities of tax-free cigarettes were ordered at DM4.50 a carton, compared with the German retail price of DM40. "There were enough cigarettes to supply everyone remotely connected with the army including infants and grandmothers," said Mr Schmidt. In many cases the cigarettes were sold to Vietnamese citizens living in east Germany who resold them on the street for DM25 a carton.

The police also believe that embezzled goods to the value of DM250m were illegally transported to Poland and Russia for resale in the past year.

The police hope the investigation will lead to prosecutions by the Berlin justice authorities later this year. However this may be hampered by the speed with which the companies involved in the fraudulent operations were

Continued on Page 12

Asylum seekers flood Germany

By Christopher Parkes in Bonn

ASYLUM SEEKERS poured into Germany last month at the rate of more than one a minute, overburdening resources, threatening goodwill and straining the patience of Mr Rudolf Seiters, interior minister.

Announcing a record influx of 46,496 people – bringing the total for the year so far to 233,000, against 256,000 in the whole of 1991 – Mr Seiters appealed yesterday for the Social Democrat party opposition "finally to open the way for a change in the constitution to stop the uncontrolled flow".

Abuse of the existing law, which obliges immigration officials to allow in anyone claiming asylum, limited Germany's ability to help people in real need: the victims of war, terror and violence, the minister said.

Of the more than 130,000 claims examined so far this year, only 4.3 per cent had been approved as genuine cases of people fleeing political persecution, Mr Seiters added.

The SPD, reinforced by allies among the Liberal Democrats, junior partners in the Bonn coalition, has long resisted constitutional change, which requires approval in the SPD-dominated Bundesrat, the upper house.

The local authorities face increasing difficulties in handling the flood. Early yesterday, some 200 police raided an official "collection hostel" in a former barracks near Stuttgart.

Four people were arrested and charged with drug offences and burglary. Five were found to have several sets of identity papers. Around 180 of the 390 people registered as resident in the hostel had disappeared.

In Schleswig-Holstein, 140 asylum seekers, who fled from neighbouring Mecklenburg-Vorpommern on Monday to escape harassment from rightwing extremists, were told they would be returned forcibly if they did not go back voluntarily.

There has been no repetition so far this year of the large-scale violence which flared last autumn after a concerted skinhead attack on a hostel in Hoyerswerda, Saxony. But there are regular reports of assault on foreigners, and popular discontent appears to be mounting.

Mr Seiters pointed out that, of last month's 10,700 asylum seekers from the former Yugoslavia, fewer than 1,000 came from areas where civil war is taking place.

Mr Seiters said the sudden increase in numbers coming in, from 31,000 registered in June, might be "partly but not wholly" attributed to new procedures to accelerate processing of claims. Almost 14,000 of the total came from Romania, 3,000 from Turkey and 3,000 from Bulgaria. More than 70 per cent were Europeans.

Sale frees Monsanto to focus on chemicals

By Alan Friedman in New York and Paul Abrahams in London

MONSANTO, the US chemicals company, has sold its Fisher Controls valve and systems subsidiary, for $1.275bn cash. The group has been seeking to focus on its core businesses amid a difficult operating environment.

The buyer is Emerson Electric, the electronic products company based, like Monsanto, in Saint Louis, Missouri.

Mr Nicholas Filippello, Monsanto's chief economist, said the Fisher Controls division, which had 1991 sales of $928m, was no longer viewed as a strategic asset of the group.

The sale of the division, which employs 7,000 of Monsanto's workforce of 39,000, would "help us reach our financial goals and more finely focus our product portfolio", according to Mr Filippello.

Fisher Controls is a leading supplier of control valves and control systems for process industries including the chemical, oil and gas and pulp and paper sectors. In 1991 its operating income was $95m, representing 11 per cent of sales but only 6 per cent of operating profits.

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NEWS: EUROPE

A softer style of ethnic cleansing

Meriel Beattie of Reuters explains how Moslems and Croats are being pressed into leaving a Serb town

ESAD, a 32-year-old surgeon, had just finished a 36-hour shift treating war wounded at the hospital in Banja Luka, Bosnia, when he was told he was being sacked for not working hard enough.

The real reason, Esad says, is that he is a Moslem in a town controlled by Serbs.

Six weeks ago his girlfriend returned to their apartment and found uniformed gunmen had claimed it for their own.

"She opened the door and found three men with guns pointed at her," says Esad, who is afraid to give his real name. "We were told we had to leave the apartment. We went back three days later to get some things, but my money, my savings, had all gone."

In this elegant, tree-lined town with few outward scars of the fighting which pits Serbs against Moslems and Croats and has devastated many villages nearby, they do not resort to violence to rearrange the populace.

Instead Moslems and Croats from Banja Luka and surrounding communities say they are being subjected to psychological and economic intimidation to make them pack up and leave.

"People are being dismissed. Croat and Moslem children have been told they cannot go back to school when term starts," said one Catholic charity worker. "It is economic and psychological pressure."

International aid workers say sackings and evictions began two months ago. "You can feel the consequences more and more as people reach the end of their financial and emotional reserves," one aid worker said. "Hundreds and hundreds of families are waiting to leave."

Moslems in Banja Luka say 210 Moslem businesses have been closed down since April. Busloads of Moslems and Croats have already left town for neighbouring Croatia and other parts of Bosnia.

Serb authorities have set up an office to offer swaps of homes in Serb-controlled Bosnia for homes in a Moslem region or Croatia. Demand is great.

"Exchange: Banja Luka for Istria, Zagreb or Sarajevo," reads one of around 100 advertisements on the wall. "Two houses with business base available."

Banja Luka's mayor, Mr Predrag Radic, denies systematic pressure is being applied to non-Serbs to give up and go.

"We obviously don't want to keep people in leading positions who had access to information which could be turned over to the other side," he said. "By this we mean the communications network, police officials. But there are still Moslem and Croat policemen.

"A lot of firms here are working at only 10 to 15 per cent capacity and their staff are put on a waiting list. They are not fired."

Mr Radic, who has been mayor of Banja Luka for two years, says he is anxious that the city retain its ethnic minorities. But he says he cannot speak for neighbouring communities.

In the village of Celinac, 15km along the river, people seem tense despite the languid summer weather.

The village is intact – except for a roadside mosque, collapsed in a pile of rubble and wire, its toppled minaret sticking out like a cigarette in an ashtray.

A three-page document stamped with the apparent seal of Celinac's municipal authorities lists the names of 33 Moslems and one Croat in the village.

The document states that those listed "acted negatively and in various ways have drawn attention to themselves so as to provoke consequences for the Serbian people".

As a result, it says, they are forbidden to leave their homes unless summoned to work. They are not allowed to stop on the street, in restaurants or other public places and are forbidden to swim or fish. They can make phone calls only from the post office and must not drive a car.

"They are allowed to leave on condition that they do so in an organised manner and that the whole family leaves with them," the document says.

Asked about the document, the duty officer at Celinac police station said: "Things are calmer now. There may have been such an order."

A Bosnian mother looks after babies among evacuees being flown from Sarajevo to Zerbst in Germany

UN seeks access to 'Serbian death camps'

THE UNITED NATIONS Security Council was due to hold closed-door consultations late last night, at the request of the US, on reports of concentration camps in Bosnia-Hercegovina, Reuter reports from the UN in New York.

On Monday, the US State Department had appeared to confirm media reports of detention centres in which civilians had been tortured and murdered. But the US government said yesteday it could not confirm reports that Serbian forces were operating death camps in the former Yugoslav republic.

A Security Council source said it was likely the council would decide to issue a statement calling for the alleged camps to be opened to international inspection.

The talks came as the UN announced that emergency relief operations at Sarajevo airport were being suspended for 72 hours as the Bosnian capital came under renewed heavy shelling from Serb irregular forces besieging the city.

The shelling brought a halt to humanitarian flights into Sarajevo three times during the day.

Mr Boutros Boutros Ghali, the UN secretary-general, condemned the shelling of the airport.

During the 72 hours' susension, the French deputy commander of the UN protection force in Yugoslavia, Major-General Philippe Morillon, will go to Sarajevo to assess the situation.

French shy away from Maastricht

By Alice Rawsthorn in Paris

FRENCH support for European union is slipping as next month's referendum on the Maastricht treaty approaches. A poll in *Libération* newspaper shows 43 per cent plan to vote "No", compared with 38 per cent a month ago.

The referendum on September 20 is seen as critical for the success of the treaty. It is also important for the embattled President François Mitterrand and the Socialist government, which have presented European union as a key political issue.

European union is still popular among the young, with 70 per cent of 18-to-24 year olds planning to vote "Yes".

Robert Taylor adds from Stockholm:Joining the EC will cost Sweden only SKr3.4bn (£330m) net a year, according to a Commission report yesterday. Sweden's contribution would amount to 3.2 per cent of the EC's annual spending.

Although Sweden will have to pay an estimated SKr10.8bn a year into the EC budget, it can expect to receive SKr7.4bn in return in financial support, particularly for its vulnerable agricultural industry. Between SKr4.4bn and SKr5.2bn will be earmarked for supporting cereals, milk and dairy products, lamb and mutton.

The report says Sweden would have to abandon its state alcohol monopoly because it conflicts with EC competition laws.

Cross-party support for decree strengthening hand of authorities

Italy to pass tough Mafia law

By Haig Simonian in Milan

ITALY'S new government was last night expecting to receive approval in the lower house of parliament for a tough new anti-Mafia decree.

Put forward after the recent murders of Mr Giovanni Falcome and Mr Paolo Borsellino, two prominent judges in Sicily leading the fight against the Mafia, the new ruling will strengthen the hand of police and magistrates tackling criminal organisations.

The government, led by Mr Giuliano Amato, has been faced with a public outcry since the two assassinations. Its immediate reactions after last month's murder of Mr Borsellino included sending 7,000 troops to Sicily to help local police and carabinieri.

The government decided not to turn the vote on the new decree – which has already been approved in the Senate, the upper house – into an issue of confidence, following signs of broad cross-party support.

Both the small Republican and neo-fascist MSI parties have promised backing, while the Democratic Party of the Left (PDS), the former communists, were also considering backing the move yesterday.

The decision not to force a confidence vote has opened the way for parliamentary amendments to the decree, and PDS approval was pinned to approval for two changes to the legislation.

The decree will also lay to rest the High Commission for the Fight against the Mafia, which was set up in the early 1980s but which has proved ineffective in tackling organised crime.

The organisation would have become partly redundant next year, when Italy's new anti-Mafia DIA, modelled on America's FBI, comes into operation.

Eliminating the commission has been welcomed as a way of avoiding further duplication and bureaucracy in the fight against crime, amid criticisms that Italy's police and security forces would be more effective if better co-ordinated.

● Italy's financial markets rebounded for the second day running yesterday after Monday night's surprise cut in interest rates by the Bank of Italy and last week's agreement on ending the *scala mobile* wage indexation system.

The half-point reduction in the official discount rate to 13.25 per cent and in the rate for fixed-term advances to commercial banks to 14.75 per cent contributed to a slight decline in the lira. The Italian currency was fixed at 755.83 against the D-Mark, compared with 754.95 on Monday.

Shares on the Milan stock exchange rose for the second consecutive day, with prices rising by over 2 per cent and the Comit equity index closing up 7.71 points at 424.35. However, brokers again warned that the rise came against a background of very thin trading and with dealings once more affected by the breakdown of the screen-based trading system.

Italy's commercial banks responded quickly to Monday night's rate cut, with leading banks cutting their prime interest rate to top-quality borrowers by half a percentage point to 15.25 per cent. However, interest rates to less creditworthy borrowers remain well above 20 per cent. In spite of a half percentage-point reduction yesterday, many banks are charging customers up to 22.25 per cent for their loans.

Highest German court blocks abortion law

GERMANY'S highest court yesterday blocked a liberal abortion law which was due to have come into force at midnight, Reuter reports from Bonn.

The Federal Constitutional Court in Karlsruhe approved a request for a preliminary injunction stopping the law from taking effect.

The action was brought by 241 conservative members of parliament, including Chancellor Helmut Kohl, and the mainly Catholic state of Bavaria.

The court will give a final ruling in the autumn on whether the law, which lets women end pregnancies almost without restriction during the first 12 weeks after conception, is compatible with Germany's constitution.

Mr Ernst Gottfried Mahrenholz, chairman of the committee considering the injunction, announced the court's ruling yesterday.

The decision means that east and west Germany will continue to have separate abortion laws, at least for the time being.

Communist East Germany allowed abortion on demand, while in West Germany abortion was a crime unless doctors certified that a woman's physical or mental health would be jeopardised by the continuation of the pregnancy.

The court said that by granting the preliminary injunction it was not prejudging the new abortion law itself.

The decision made "no conclusions about the prospective result of the main hearing [later this year]", Mr Mahrenholz said.

Russian reforms 'near to collapse'

By John Lloyd in Moscow

MR Arkady Volsky, the powerful head of the Russian Union of Industrialists and Entrepreneurs, said yesterday that reform in Russia was "on the edge of collapse", and called for immediate policy changes.

His call was backed by leaders of the Civic Union, the political bloc which Mr Volsky helped form. They said that if the government did not adopt an alternative reform programme to be presented in mid-September, President Boris Yeltsin should ask for its resignation.

Mr Joseph Diskin, a member of the Civic Union's consultative council and author of the alternative programme, said there were no longer any "good options" left for the economy, and only the enforcement of order could prevent catastrophe. Income tax should rise, fuel prices should be fixed, and the government must ensure that the increasingly separatist regions of Russia pay federal taxes – by force if necessary.

Mr Volsky is widely viewed as a prime minister-in-waiting, or at least as a figure who can dictate policies to the government. His new attack on the government comes at a time when it has substantially relaxed its grip over credits to enterprises.

It is also signalling that it may not be able to meet the targets of 9 per cent inflation and a budget deficit at 5 per cent of GNP by the end of the year, agreed with the International Monetary Fund.

International experts in Moscow see these targets as unattainable and predict that a complete reappraisal of the Russian reform strategy – and with it, the terms of western assistance – will be forced on Russia and its big western donors.

At the same time, a struggle has broken out between the government and Mr Victor Gerashchenko, acting chairman of the Central Bank, over Mr Gerashchenko's intention to provide Rbs1,000bn in credits to enterprises to help them pay off Rbs3,000bn of debts which they have contracted over the past few months.

Mr Andrei Nechayev, the economics minister, said yesterday he believed the bank would soon cancel the order it sent out to commercial banks authorising the provision of credit. He was immediately contradicted by Mr Gerashchenko, who said in an interview with Izvestia that he had no such intention, though he might "take the government's views into account".

Mr Gerashchenko said the exercise would have no inflationary effect, as it was designed to let the enterprises "net out" the debts between them. However, experts fear the provision of credit to pay off the debts could leak out of the financial system in the form of higher wages and thus higher inflation.

Heading for a showdown, Page 10

EC clash over power supplier averted

By Andrew Hill in Brussels

STATE-OWNED electricity companies in France and Italy have decided to compromise over the terms of a contract with a small Alpine producer rather than confront the European Commission on the sensitive issue of monopoly rights in the electricity sector.

The Commission said yesterday it had dropped the threat of further action against Electricité de France and Enel of Italy after they amended the anti-competitive contract.

Sir Leon Brittan, EC competition commissioner, welcomed the compromise as "a step towards the opening up of national energy markets", but EdF said it was a specific case with few broad implications.

EdF is in the forefront of resistance to Commission plans to break open EC energy markets.

Société Hydroélectrique de Grangevieille (SHG) – an independent French electricity producer near the Italian border – complained to Brussels in April last year that EdF was abusing its monopoly rights.

EdF was entitled to buy all SHG's output at comparatively low French prices, and sell it on to Enel. But SHG is cut off from the French market by a mountain range and can only supply electricity to Italy, where prices are much higher.

The Commission argued that EdF's monopoly rights to buy French electricity production did not apply in this case. The French group has now agreed that SHG's electricity should be priced on the same basis as electricity generated by independent Italian producers.

At last, a currency that is weaker than the rouble

Ukraine's 'coupon' has given Russian money something of a 'hard currency' status in Kiev, writes **Anthony Robinson**

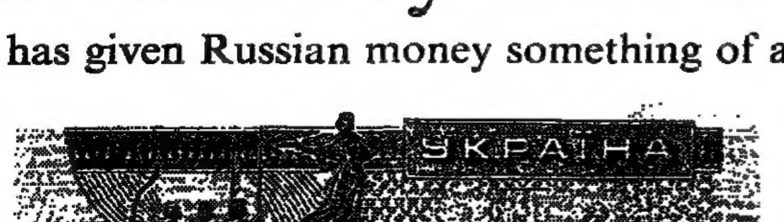
GRESHAM'S Law – that bad money drives out good – is alive and well in Ukraine, with a variation. In the second-largest of the former Soviet republics of 52m people, what most would consider "bad money", a depreciating, inconvertible Russian rouble, is sought after in preference to something even worse – the Ukrainian "coupon".

When introduced last year, the coupon was a single-use token issued to Ukrainian workers as part of their wages to "validate" their purchases of foodstuffs.

Now Ukrainian workers have no choice. They are paid exclusively in coupons. Even withdrawals from their nominally rouble-denominated savings accounts are paid out in coupons.

In theory the coupon is on a par with the rouble. In practice months of easy credit policy by a government under pressure from enterprises to issue cheap, unsecured credits has devalued the Ukrainian quasi-currency faster than the rouble. This has left the coupon distrusted and unwanted.

The result is a thriving black market. Kreschatik, the tree-lined main



thoroughfare of the capital, Kiev, is thronged with illegal but tolerated money-changers. They also congregate outside the the capital's largest food market, the pre-revolutionary, constructivist-style Bessarabia market, opposite the city's last remaining statue of Lenin.

Alongside young hustlers in the latest teenage fashions stand portly housewives and ageing "babushkas" with headscarves and shopping bags mutely holding wads of coupons in their outstretched hands.

While the young hustlers are most interested in changing coupons for dollars or other hard currencies the "babushkas" have been allowed to share in the cheap end of the market, the - coupons-for-roubles trade.

Last week, as Russia's rouble-dollar rate declined in response to doubts over Moscow's ability to restrain a growing budget deficit, the Ukrainian coupon fell even more sharply. Traders outside the Bessarabia market offered 220 coupons for a dollar while the going market rate for roubles was only 155. Given this 30 per cent discount, shop girls, hotels, enterprises and anyone else with access to roubles, substitute coupons from their own pockets and sell the roubles at a profit.

In this way a quasi-money designed to prevent Russian and other rouble holders from buying scarce goods in Ukraine has had the opposite effect. By changing their "hard" roubles for coupons, Russians can effectively buy more cheaply than in Russia.

The coupon is essentially the product of old communist thinking about money. Neither the rouble, or any other former communist currency was real money as understood in the west.

"I am totally opposed to the coupon idea and so are all my senior colleagues," said Mr Alexander Sharov, the young vice chairman in charge of external policy at the Ukrainian National Bank, the central bank. "But we only took over in April and nobody in the former team is willing to admit it was his idea. The coupon is an orphan."

The Ukrainian government is still committed to introducing its own national currency, the *hryvnia*, as a fully-fledged legal tender. But the date is unclear as experience with the coupon underlines the dangers of introducing a new currency without creating the sort of monetary, fiscal and institutional framework needed to ensure its value and acceptability.

But the shortcomings of the coupon reflect the impotence of the central bank and other institutions such as the finance ministry and the privatisation ministry which have minimal political or institutional weight in post-independence Ukraine. Real power is still concentrated in a handful of former communist apparatchiks and party bosses around President Leonid Kravchuk and Mr Vitold Fokin the prime minister.

After three centuries of subservience to Moscow, Ukraine is hard pressed to find the qualified and experienced personnel needed to administer a modern state.

Parliament, for example, is also still dominated by former communists who see no apparent contradiction between voting for liberal foreign investment, privatisation and other market-orientated legislation and then voting large cash infusions to bankrupt state enterprises still run by their former communist managers.

Similarly, the country's exiguous hard currency reserves are held by the recently formed Export-Import bank, which is essentially the successor to the Ukrainian branch of the Soviet Vneshekonombank. Critics of the bank, which maintains close working relations with Vneshekonombank in Moscow, say this arrangement ensures that control over hard currency usage remains with power brokers around the president and the prime minister.

The handful of relatively inexperienced technocrats in the central bank and the ministry of finance appear to bear considerable responsibility but wield little power. They are acutely nervous about Russia's expected response to the eventual introduction of the *hryvnia* and the likely inflationary consequences of Russia's expected decision to charge world prices for oil and other exports to Ukraine in the autumn.

The money changers on the Kreschatik may not be fully aware of the problems that lie ahead. But in the mysterious way of free markets, the downward course of the coupon on Kiev's streets is probably an accurate barometer of difficult economic times ahead as Ukraine seeks to break out of its former colonial-style dependence on Moscow.

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ANC claims resounding strike victory

By Michael Holman in Johannesburg and agencies

THE African National Congress yesterday claimed a "resounding victory" against white rule, after a two-day general strike by millions of blacks, but the South African government said the protest had fuelled violence.

Mr Hernus Kriel, law and order minister, yesterday told state television that the ANC had "added to the violence, [which] is now rife in spite of assurances by the ANC that the protests would be peaceful." However, it was "not too late to call off mass action".

Even so, United Nations monitors, who appealed for restraint during the mass occupations of cities planned for today, said that it was difficult to determine whether any of the 34 killings since the start of the strike were linked to the pro-democracy protest.

Meanwhile, Mr Herman Cohen, US assistant secretary of state for Africa, called for a quick resumption of multi-party talks on democracy. At the end of a two-day visit – during which he met Mr Nelson Mandela, the ANC leader, and President F.W. de Klerk – Mr Cohen said he was alarmed by South Africa's worsening economic situation.

ANC officials described the strike as the most effective industrial protest the country had experienced. There was no sign of a fall-off in support for the strike, which ended last night, though employers' organisations yesterday contested ANC claims that 4m workers had stayed away, out of a total labour force of 6m. They estimated 2m had responded to the strike call.

Greatest support came in the Johannesburg region, where more than 90 per cent of workers stayed away, compared with about 55 per cent in Natal.

Mr Jay Naidoo, of the Congress of South African Trade Unions (Cosatu), said the business community was "now starting to recognise that we are not going to have industrial peace in this country" until there is a democratic transition to majority rule.

Some of the worst violence of the past 24 hours took place in Johannesburg's Alexandra township, where five people were killed by unknown attackers early yesterday morning.

In Natal, gunmen opened fire on a car carrying Mr Harry Gwala, the senior ANC official in the region. He was uninjured.

Hurd placates Boutros Ghali

By Robert Mauthner, Diplomatic Editor

THE British government yesterday publicly expressed its support of Mr Boutros Boutros Ghali, the United Nations secretary-general, who has been the subject of critical articles in the press, particularly in the UK.

Mr Boutros Ghali, a former senior Egyptian diplomat, who has recently been involved in an open dispute with the UN Security Council and Lord Carrington, the chairman of the European Community's peace conference on Yugoslavia, suggested in an interview that racism might be at the root of the criticism directed at him.

"Maybe it's because I'm a wog," he told the New York Times.

Ignoring the allegation of racism, Mr Douglas Hurd, the British foreign secretary, said on radio yesterday that Mr Boutros Ghali was "a man of stature and style".

"I reckon he's going to be a very effective secretary-general. He's taking over at a time when the UN is having to face great burdens. The queue of trouble outside his door grows all the time. I'm not surprised that he feels occasional exasperation, but we are on his side and we will work with him."

It is not the first time Mr Hurd has attempted to placate Mr Boutros Ghali. Last month, he made an unscheduled stop in New York on his way to Manila after the UN secretary-general had complained about not being properly consulted on an EC request for UN monitoring of heavy weapons in Bosnia.

Mr Boutros Ghali said the UN did not have the resources to carry out such a task and accused the international community of showing more concern about "the rich man's war" in former Yugoslavia, than the Somalia conflict.

Though the secretary-general appears to feel that Britain and its permanent UN ambassador, Sir David Hannay, are primarily responsible for critical articles about him in the British press, adverse comment has not been confined to the UK.

Members of several UN delegations have been taken aback by what some consider to be the secretary-general's aloof style and his preference for going over their heads to deal with members of governments directly. Nor is his penchant for calling a spade a spade appreciated by practitioners of a profession dedicated to a more circumlocutory mode of expression.

Behind the whole affair lies a conflict of priorities in the UN. Developing countries consider Mr Boutros Ghali should be devoting more resources to the Third World instead of Yugoslavia.

That causes stresses in an organisation already grossly over-stretched, which are reflected in the manner of its top official.

Security council comes under fire

By Michael Littlejohns in New York

A TOP United Nations official yesterday accused the Security Council of failing to respond swiftly and vigorously enough after Iraq last month barred weapons inspectors from the Agriculture Ministry in Baghdad.

The official, Mr Rolf Ekeus, who is head of the UN commission charged with finding and scrapping Iraq's weapons of mass destruction, said the Security Council's attitude exacerbated the recent confrontation with Iraq.

He told reporters that Iraq misread the situation. It understood only in the final 24 hours before backing down that military action against it had become "a very close call".

Mr Ekeus denied that he compromised future weapons inspections in Iraq by choosing inspectors from countries that did not take part in the Gulf war against Iraq in order to win access to the Baghdad Agriculture Ministry building. "I did not negotiate any selection; I did it in order to help Iraq out of the impasse," he said, adding that the UN had no wish to humiliate Baghdad.

However, he said the US, Britain and France were about the only countries that had people with the requisite expertise to conduct sensitive inspections. It was inevitable that their citizens must continue to be included in future operations.

A new UN team led by a Russian expert would begin a further round of inspections in Iraq next weekend, zeroing in on locations "where we have reason to suspect that prohibited material is stored or hidden".

Mr Ekeus said the Iraqis would get no advance warning. It would also be a test of their undertakings to him during his mission to Baghdad in the wake of last month's crisis and prove whether they had learnt their lesson.

He also hoped the Security Council would react quickly if the inspectors encountered another confrontation.

● US marines in amphibious assault vehicles, escorted by low-flying helicopter gunships, landed on Kuwaiti shores yesterday in an implicit US warning to Iraqi President Saddam Hussein, agencies report from Kuwait.

Exercise Eager Mace, planned last year, is the first of three wargames in Kuwait that will involve more than 5,000 US troops in landing, live fire and tank manoeuvres during August.

Japanese consumers' pessimism grows as manufacturers continue to cut capital spending

Drop in job offers erodes confidence

By Robert Thomson in Tokyo

JAPANESE consumer confidence has been undermined by concerns about the slowing economy and, in particular, a fall in new jobs, the Economic Planning Agency (EPA) said yesterday.

The agency's consumer confidence index in the April-to-June quarter was down 0.4 to 42.3. That movement reinforced the recent judgment of the Bank of Japan and the Ministry of Finance that consumers are unlikely to lead an economic recovery in coming months.

Mr Tsutomu Hata, the finance minister, said a sharp fall in new job offers in recent months had increased pessimism. However, he said fears of a bad debt crisis facing Japanese financial institutions were unfounded. Financial institutions had co-operated in the past to overcome difficulties and "such co-operation will continue", he declared, adding that reserves would cushion institutions against the increase in non-performing loans.

The EPA also released a separate survey suggesting that manufacturing companies would continue to reduce capital spending by an average 2.8 per cent over the second half of this year, compared to the first half.

The agency said the largest falls would be in precision machinery, down 14.8 per cent, electrical machinery, down 28.5 per cent, and non-ferrous metals, down 37 per cent.

However, capital spending by non-manufacturing companies was expected to rise by 6.5 per cent, with wholesalers, retailers and restaurants forecasting a 28 per cent rise.

About 36 per cent of companies said the economy would continue to slow during the second half, while only 3 per cent thought it would recover.

The agency said 46 per cent of companies reported that the economic conditions had deteriorated during the first half, while 1 per cent said there was an improvement.

GANGSTERS CUT CORNERS TO FIND WAYS ROUND CURBS

By Gordon Cramb in Tokyo

THE YAKUZA, Japan's gangsters, are adjusting to life under a new law curbing their activities, by setting up legitimate-front operations, and are continuing to expand membership and influence, the national police force said yesterday.

The police annual report on crime in Japan last year, chronicling well-publicised cases of stock-cornering in the Tokyo equity market – which were uncovered as share values slid during the year – warned that the existence of the gangs "is becoming a big threat to the healthy economic system of the country".

Known gang membership had risen 3.1 per cent since the start of last year to stand at 91,000 by March, when a law prohibiting "unjust acts" by yakuza came into force. Nearly four in 10 of these members were loyal to Yamaguchigumi, the biggest grouping, which increased its dominance over smaller rivals.

The police report is in part ammunition for the force in justifying budget proposals for the coming year to a government which is having its tax receipts squeezed by the current economic slowdown. None the less, it helps illumine the margins of Japan's low-crime society.

Although 17.4 per cent of those convicted last year were in financial difficulties, this figure showed no increase as a result of the slowing of the economy – the proportion was 18.7 per cent a year before and 22.4 per cent a decade earlier. Yakuza held back from clashes with rival gangs, instead setting up companies and political-front organisations, and engaging in charitable works to "improve their image".

Hong Kong: a crying Vietnamese woman being forcibly repatriated yesterday

Hong Kong forces 60 Vietnamese to go home

By Simon Holberton in Hong Kong

HONG KONG forcibly repatriated 60 Vietnamese boat people yesterday, including 16 members of Vietnam's Nung ethnic minority, amid concerns that some returnees may face persecution.

Asia Watch, a New York-based human rights group, said the Nung people, who fought on the side of the French colonialists and later the US forces during Vietnam's civil war, could be at risk if they returned to Vietnam.

The minority fled the country after being persecuted for their past associations. Asia Watch said they could face imprisonment, police abuse and forced labour.

The Hong Kong government yesterday said Asia Watch had submitted a list of 133 members of the Nung minority. But Mr Brian Bresnihan, the colony's refugee co-ordinator, said that 24 on the list had returned to Vietnam voluntarily last year. There was no evidence that they had been subject to persecution at the hand of the authorities, he said.

So far 295 people have been returned to Vietnam against their will and 20,317 have returned voluntarily.

Hong Kong is currently housing 52,151 boat people in detention camps. Of these, 24,319 are awaiting repatriation, the status of 24,646 has yet to be determined, and 3,186 have been classified as legitimate refugees.

In May, Hong Kong agreed with Hanoi to repatriate those not classed as refugees. So far this year, 6,472 have returned – of which 134 were compulsory repatriations – compared with 7,753 for the whole of 1991. Repatriation does seem to have stemmed the flow of boat people into Hong Kong. This year only nine have arrived in the colony, compared with 20,207 in 1991.

PEACE TALKS

Drive begins to end civil war in Mozambique

By Julian Ozanne in Nairobi

THE biggest effort yet to solve poverty-stricken Mozambique's 16-year civil war gets under way in Rome today as President Joaquim Chissano is due to meet his rebel opponent for the first face-to-face peace talks.

Observers say there is a new-found sense of realism on both sides at the talks, born of a recognition that Mozambique and its 15m people simply cannot take another year of fighting, famine and destruction of what little infrastructure and economic activity still remains in the war-shattered country.

The success of the talks is critical to averting widespread starvation caused by the worst drought in Mozambique's history but exacerbated by the wa,r which has made 70 per cent of the country insecure, and has forced at least 4m people to flee their homes.

The outcome of the talks is also vital to efforts to resuscitate Mozambique's aid-dependent economy where average per capita income is less than $80 and where Mr Chissano says half of the country's people cannot feed themselves any more.

Hopes are high that after two years of failed talks, the warring, obstinate sides, tired by fighting and the suffering they have inflicted on their people, may now be prepared to reach agreement. The optimism is boosted by the involvement in the talks of President Robert Mugabe of Zimbabwe and foreign ministers of Italy and Botswana.

A critical role is also being played behind the scenes by the European Community, the United Nations and Mr Tiny Rowland, the chief executive of Lonrho, which has substantial but unfulfilled agro-industrial commercial interests in Mozambique.

However, the same nagging obstacles which have defeated 11 rounds of peace talks held over the past two years remain as formidable as ever. Renamo, the right-wing rebel group led by Mr Afonso Dhlakama, has little in the way of a political programme to present as a basis of dialogue.

It was originally formed and supported by the Rhodesian secret service in 1974 to combat the communist black nationalist Frelimo party, which swept to power in Mozambique a year later.

After Zimbabwean independence in 1980, South Africa continued the military and logistical support of Renamo as part of its destabilisation and sabotage campaign in hostile neighbouring states. Throughout this period, Renamo never tried to build a mass popular base.

The end of the cold war, the abandonment of communism by Frelimo and the introduction of liberal political and economic reforms followed by the changes in South Africa have left Renamo as an anachronism. However, now backed by right-wing extremists in Portugal and South Africa, it has continued its campaign of terror and destruction.

Fears are also widespread that Mr Dhlakama may not exercise control over his troops, many of whom are no more than marauding bandits.

Efforts to reach a successful ceasefire between the two sides as a prelude to political dialogue has broken down over Renamo's demand that the Frelimo government withdraw an estimated 5,000-7,000 Zimbabwean troops stationed in Mozambique.

India takes ballot box into political vacuum

The government is insisting on elections in Kashmir where no structures exist, writes Shiraz Sidhva

IN THE state of Jammu and Kashmir, where armed separatists have been fighting a bloody war with Indian security forces for nearly three years, virtually no civil administration or political structures exist.

Yet the government of Mr P.V. Narasimha Rao has decided to hold elections there. The decision is regarded with grave scepticism in Srinagar, the state capital. Militant groups have warned against participation.

Mr Girish Chandra Saxena, the governor, admits that there was a sharp spurt of violence after the government's intention to hold elections became clear last month and recently advised New Delhi that the situation was "not yet conducive" to hold them.

"Elections are the only solution to the Kashmir problem," said Mr Rao at the weekend. "In a democratic country, how long can we keep a state away from the election process?" However, he is reluctant to set a date. "I cannot say now when the election will be held. But once it is held, the situation will greatly improve."

At a time when Kashmiris are questioning the basis of their accession to India in 1948, elections within India's constitutional framework are perceived as an attempt by New Delhi to sidetrack the real issue.

Kashmir has been the main obstacle to peace in the subcontinent for 45 years, with both India and Pakistan claiming a territory which, many Kashmiris believe, belongs to neither. The people of the mountain state have been demanding a United Nations-supervised plebiscite promised to them by the Indian government in 1948.

India, which holds that Kashmir is a domestic problem, has fought three wars with Pakistan to retain Kashmir and has an estimated 400,000 army and para-military troops in the state, a considerable drain on its exchequer.

News that elections were imminent led to an escalation of violence through July, after a lull from April to June. During the week that Mr Rao assured parliament in mid-July that "certain conditions of peace" had been achieved in the valley, the official death toll was 99.

Srinagar, which has turned from a tourist destination to a war-zone in three years, suffers long hours of curfew and daily killings, as security forces fight a ruthless battle. Often it is the hapless civilian population which suffers more than the heavily armed militants.

Cordon-and-search operations, meant to "flush out terrorists" are often excuses for the security forces to wreak revenge on innocent people for militant attacks. Women and children are not spared.

The authorities managed to hold back the security forces to some degree in the early months of the year. But in the last few weeks, several instances of men in uniform going berserk have been reported. Eighteen people died on the day home minister S.B. Chavan made a whistle-stop visit to the valley, flying in and out amid top security, and not venturing out of the high-security zone into the city. The minister's gunmen sprayed civilians with bullets when a car tyre burst, killing six.

Srinagar sentiment: a policeman outside a graffiti-scrawled shop during recent defiance

Despite the violence, the government sees political advantages in proceeding with elections. The ruling Congress party is increasingly perceived to be in tune with the Hindu right-wing Bharatiya Janata Party on the Ayodhya temple issue and on its reformist economic policies. A seemingly liberal policy on Kashmir would help Mr Rao to dissociate his party from the BJP, which takes a hard line against separatists.

Elections might also be seen as a way to reassure the insecure Moslem minority by conveying the impression that democracy was being restored in India's only Moslem-majority state.

An elected local government would allow the Rao government to share the responsibility. "India wants to fire their guns from someone else's shoulders," said Mr Javed Mir, commander-in-chief of the pro-independence Jammu and Kashmir Liberation Front (JKLF). However, elections could also provide a much-needed rallying point for militant groups in search of a common ideological platform.

Logistically, elections in the foreseeable future seem virtually impossible in a state where militant organisations such as the JKLF and the pro-Pakistan Hizbul Mujahideen can paralyse the entire Kashmir valley by declaring a "civil curfew".

A senior bureaucrat in Srinagar says: "Nobody here believes that an election will help, but even if they did, does the government expect people to come out and vote when they risk being shot in the back?"

He recalls the last general elections in 1989, when a militant group placed television sets as "rewards" for voters at the entrance of some polling booths and coffins at the exit. The militants' message was heeded, even at a time of relative peace.

Given a lack of willingness to vote or to stand as a candidate, the credibility of elections would be in doubt. Elections seen as a means to foist a government on to an unwilling people could only intensify separatist tendencies.

"The government's being adamant that elections will be held here, is only further proof for us that India is not interested in Kashmir," says a bank manager. "They are only trying to pull the wool over the world's eyes, and pretend they are a great democracy."

NEWS: AMERICA

Broad US index falls to lowest since 1990

By Michael Prowse in Washington

THE US OFFICIAL index of coincident indicators – a broad measure of the economy's current health – fell sharply in June to reach its lowest level since the US recession began in July 1990, the Commerce Department reported yesterday.

The index – based on movements in non-farm employment, industrial production, personal incomes, and in manufacturing and trade sales – fell 0.6 per cent, taking it below the previous trough that was reached last January.

The department also reported the first fall in six months of the index of leading indicators, which is designed to predict turning-points in the economy. The leading index fell 0.2 per cent, after increases of 0.3 per cent and 0.6 per cent in April and May.

The sharp drop in the coincident index highlights the economy's loss of momentum at the end of the second quarter. "It shows the recession has not ended yet," said Mr Robert Brusca, chief economist at Nikko Securities in New York.

Most economists believe the economy is still growing slowly, but a spate of poor statistics, including a sharp drop in consumer confidence in July and slower than expected growth in the second quarter, have raised fresh doubts about the durability of the recovery.

The index of leading indicators was pulled down by declines in six of its 11 components. The weakest components were real money supply, the average working week and unemployment insurance claims. Falls in share prices, building permits and consumer confidence, however, also signalled economic contraction.

Four of the 11 rose, the largest positive contribution coming from higher orders for plant and equipment.

Forecasters are now eagerly awaiting the release on Friday of employment figures for July. Most expect a modest rebound, after sharp falls in June.

Brazilian minister quits amid scandal

By Christina Lamb in Brasilia

PRESIDENT Fernando Collor of Brazil, battling to stay in power amid a worsening corruption scandal, has been dealt a heavy blow by the resignation of one of his most senior ministers.

Mr José Goldemberg, education minister, is the first cabinet member to quit since the political crisis erupted in May with a series of corruption allegations against the president. The minister resigned on Monday night, provoking much speculation that other ministers might follow suit.

Citing "political and personal reasons" for quitting, Mr Goldemberg accused the government of greater concern for its own survival than for the Brazilian people, and of lack of commitment to education.

Mr Goldemberg, 63, was the only remaining civilian member of the original Collor cabinet of three years ago.

Yesterday, Mr Jorge Bornhausen, minister in the president's office, sought to dismiss fears that other ministers would follow Mr Goldemberg.

Mr Collor has also managed to hold on to his economic team by agreeing to maintain his austerity policy. The team had threatened to resign if the economic adjustment programme were compromised by Treasury disbursements.

Mr Marcílio Marques Moreira, economy minister, said he had agreed merely to re-allocate some government resources to social programmes, such as housing.

Senate backs supercollider

THE US SENATE has blocked a denial of nearly all funding for the supercollider, a giant atom smasher being built in Texas, Reuter reports from Washington.

It voted 62:32 late on Monday against joining the House of Representatives in cutting $516m of the $550m allocated for the project.

White House vetoes plan for rationing health care

By Michael Prowse

THE BUSH administration has vetoed this week a plan by the state of Oregon to expand access to health care by rationing the provision of services, highlighting the legal and political obstacles facing US social reformers.

The decision also casts doubt on the administration's commitment to social experimentation by individual states. The White House has frequently argued that states should serve as "laboratories", pioneering policies that might become adopted nationally.

Dr Louis Sullivan, federal health secretary, rejected Oregon's plan on the grounds that it might have violated the Americans with Disabilities Act of 1990, which President George Bush had strongly backed.

Supporters of the plan, however, vigorously rejected the federal criticism. Senator Bob Packwood, an Oregon Republican, said the state had been "stabbed in the back." State Governor Barbara Roberts, a Democrat, said nothing in the plan was intended to discriminate against the disabled.

Like other US states, Oregon is struggling to cope with the rising costs of its Medicaid programme of health services for the poor. Under existing rules, certain categories of the poor – for example, women with children – are granted unlimited access to services, while others, such as poor single adults, qualify for nothing.

This form of rationing has existed for decades in the US.

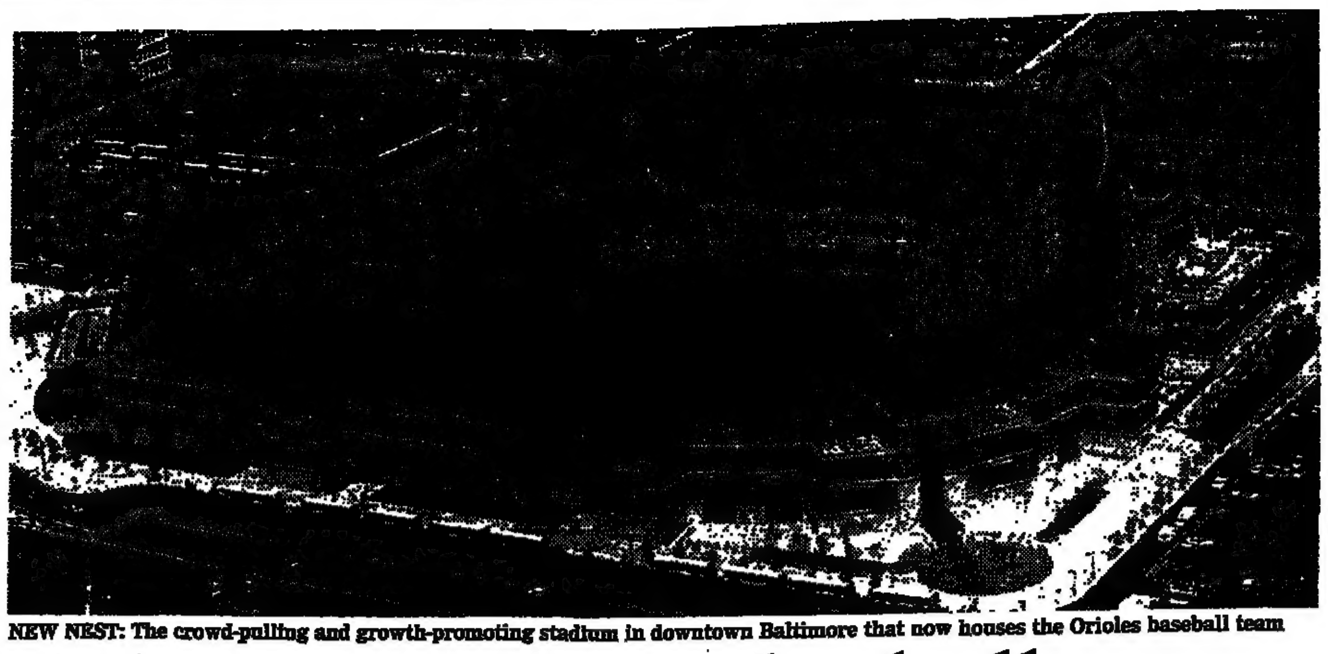
The Oregon plan has provoked intense controversy because it proposes a different form of rationing. In essence, it says that the services received by all poor people must be rationed so that, with a limited budget, everybody shall be guaranteed access to a basic level of care.

The plan divides all health services into a total of 709 condition/treatment pairs. The ranking is determined partly by medical effectiveness (treatments that rarely work are at the bottom of the list) and partly according to value judgments expressed by Oregonians in surveys. The legislature was presented with the list last year and with a series of costings prepared by an independent actuary.

It then faced a simple task: to find how far a limited budget would stretch. The cut-off point was treatment pair 587 – nothing ranked lower was to be made available. Rejected treatments range from the trivial – such as viral sore throats – to serious conditions such as Aids and some cancers, where prospects of survival are rated as very low. Hospice and comfort care for the dying, however, is provided.

Dr Sullivan said the priorities in the list appeared to reflect a "bias against persons with disabilities", and that many treatments which would help the disabled had received a low ranking. He urged Oregon to correct these biases, then resubmit its plans.

The ranking of treatments proposed by Oregon may be questionable, but its determination to improve access to care, and to set priorities for treatment, contrast favourably with a refusal elsewhere to accept that choices have to be made. Most health care systems ration care, but do so behind closed doors. Oregon has been penalised for open acknowledgement of its priorities.



NEW NEST: The crowd-pulling and growth-promoting stadium in downtown Baltimore that now houses the Orioles baseball team

Take 'em out to the ball game

Patrick Harverson reports on Baltimore's baseball strike for growth

LIKE MANY cities across the US, Baltimore is impatiently waiting for the nationwide recovery to breathe new life into a local economy still hung over from the recession of 1990-1991.

Yet unlike any other city in the US, Baltimore is looking to an unusual source to help it out of the economic doldrums – a baseball stadium.

Oriole Park at Camden Yards, the new home for the Baltimore Orioles, was completed earlier this year at a cost of $105m (£55m), and city planners hope the stadium will serve as an economic catalyst for the entire downtown area. It is already proving a magnet for local developers. Some hope it will become the focal point of a billion-dollar urban redevelopment programme.

When Oriole Park was opened in April, Maryland governor Mr William Schaefer announced that construction of the stadium had fuelled the local economy with $146m in gross sales and $48m in direct payroll. He also forecast, quoting from a study by state economists, that the net impact of the baseball season would inject another $274m in sales and income and $14m in taxes into the economy.

Today, those projections are beginning to look on the low side. Before the season started, it was hoped that attendance at Oriole Park this year would be 20 per cent higher than at the old Memorial stadium.

People, however, have flocked to the new ballpark in huge numbers. Attendance is averaging near capacity at 43,000 a game, compared with the 28,000 the old stadium drew last year. Total attendance for the season is expected to top 3.5m, not 2.5m as first forecast.

It has helped that the team has been successful. Last season the Orioles finished near the basement of the baseball leagues. So far this year, it has the second-best record in its division and is attracting fans from Baltimore and nearby Washington DC.

The stadium itself is also popular. Two golden rules of sports stadium development were broken with Oriole Park. First, it is a baseball-only stadium, and not the usual multi-use monstrosity built to host a range of sports and entertainment to maximise revenues.

In sticking to baseball, the architects designed an intimate, old-fashioned ballpark with traditional features such as red brick arch facades and a sunken, asymmetrical field. One critic hailed the result an "anthem to the national pastime", and Oriole Park has quickly become a tourist attraction in its own right.

The second gamble was to locate the stadium within minutes of the city's downtown area. Since the 1960s most sports stadiums built in the US have been put in the suburbs or on vacant space outside metropolitan areas, where construction is cheaper, access easier, and disruption to local neighbourhoods avoided.

Baltimore, however, has put the stadium virtually in the heart of the city, on the site of the old railway yards just a few blocks west of the inner harbour area. The idea was to make Oriole Park part of the downtown "experience". Since its re-development in the early 1980s, the harbour has become the heart of Baltimore. Shops, restaurants, hotels, a conference centre and tourist attractions draw millions of Baltimore natives and visitors to the harbour area every year.

At the start of the season, city managers hoped that when people came to see the Orioles, many would stay downtown to enjoy the harbour's shops and restaurants.

Those hopes are being realised. On game days crowds in the area are larger than normal. A study is about to be launched that is expected to show a significant boost to retail and restaurant sales since the stadium opened.

Several projects for the area immediately surrounding the stadium are already in the pipeline, including a $600m life sciences trade and medical conference centre, a $130m expansion of the current convention centre and a $500m extension to the nearby University of Maryland. If Oriole Park had not been built on its present site, it is unlikely these projects would have been slated for the central city area.

For all its successes, Oriole Park cannot bring Baltimore out of recession on its own. Future prosperity lies in the hands of the two main employment providers, white-collar services businesses and the construction industry, both of which remain depressed and dependent on the national economy for growth.

Redeveloping the downtown area and building a baseball stadium has also not addressed the problems of crime and poverty that plague Baltimore, as they do other US cities. While parts of downtown are popular during the day and night, Baltimore's politicians have been accused of neglecting important social problems in favour of sprucing up a small section of the city.

The city's managers argue that a thriving downtown area benefits everyone in the region by attracting new businesses, and with them new jobs, to Baltimore.

NEWS: WORLD TRADE

China leans on Israel to drop Taiwan jet deal

By Hugh Carnegy in Jerusalem

CHINA is putting pressure on the Israeli government not to go ahead with a proposal to sell 40 Kfir fighter aircraft to Taiwan, a deal which could be worth $400m (£210m) to Israel Aircraft Industries (IAI), the country's main arms-maker.

Mr Yitzhak Rabin, the prime minister, has become involved in intense discussion within the government over the issue. It pitches Israel's newly-forged diplomatic relations with Beijing against an important contract for the biggest state-owned company, which is struggling to restore profit margins after lapsing into losses in the late 1980s.

IAI has refused to comment on the deal, but is known to have been in discussion with Taiwan about the Kfir sale for some time. Although a relatively old aircraft, IAI has the advanced avionic and weapons technology to make an up-to-date version of the Kfir, originally a copy of the French Mirage.

China only opened diplomatic relations with Israel earlier this year. Israeli officials are concerned that going ahead with the Kfir deal could jeopardise lucrative trade prospects in China which it began to nurture before official ties were completed.

The agreements establishing diplomatic links included Israel's signature on a document which in effect acknowledged that Taiwan was a province of China, not an independent state.

But supporters of the Kfir sale argue that other countries have sold weapons to Taiwan without damaging their trade with China. The final decision will rest with Mr Rabin.

Hills warns Tokyo of 'actions' in chip row

By Nancy Dunne in Washington

MRS Carla Hills, US trade representative, yesterday put Tokyo on notice the US will take "actions" if Japanese companies do not increase their purchases of foreign semiconductors.

A special US inter-agency review says Japan is failing to improve market access for foreign chip suppliers. Previous efforts have pushed the foreign share to about 14.6 per cent, but it has stayed "flat" since the third quarter of 1991. The 1991 US-Japanese Semiconductor Arrangement acknowledged the US industry "expectation" that foreign share would grow to over 20 per cent by end-1992.

Japanese government and industry "have it in their power to correct insufficient progress and ensure successful implementation of the promising plan to expand market access announced in June by US and Japanese industry," Mrs Hills said. "If substantial improvement is not achieved, we will take extra actions, as necessary, to fulfil the terms of the Arrangement."

The June plan outlined specific steps to raise foreign sales: Japan's 10 biggest electronics companies agreed to give foreign suppliers advance information on plans for chip purchases in the third and fourth quarters of 1992.

Mrs Hills said it was too early to assess results of that agreement. A Semiconductor Industry Association official said "early reviews showed the effort "is not succeeding".

Many Japanese fear the review is an attempt to prepare for sanctions before the November presidential election so the administration can show its resolve in trade rows. Mrs Hills may announce retaliation before the five-year pact expires, but she may now just be sabre-rattling. The accord is seen by some as a test of the efficacy of "managed trade" pacts. The SIA said: "You can't actually force people to buy chips, but you can indicate it is in everyone's interest for users to look outside Japan for semiconductors."

Ansaldo and Siemens flesh out railway pact

By Haig Simonian in Milan

ANSALDO, the Italian state-owned engineering company, and the transport systems division of Germany's Siemens group have fleshed out further details of their preliminary agreement, signed in March 1991, to co-operate in railway equipment.

The two companies have agreed to work together on developing a cooling system for railway locomotives, based on technologies derived from both sides.

The new system will eliminate the use of freon gases, while maintaining the full operating capabilities of methods using CFC chemicals.

Ansaldo and Siemens have also decided to extend their collaboration into areas such as high-speed trains, urban mass transit systems for the US market and automated signalling equipment.

Precise areas of co-operation will be defined shortly, according to Ansaldo, which is part of the Iri state holding company's Finmeccanica group.

The two companies hope that combining their resources will put them ahead of the competition in developing a new generation of high-speed trains to replace Germany's ICE or Italy's ETR 500.

The first fruits of the collaboration may be seen in Ansaldo's E402 locomotive, 70 of which have recently been ordered by the Ferrovie dello Stato (FS), the Italian state railway.

The FS is thought to require about 200 units, meaning that future models may incorporate cooling technology based on the Siemens-Ansaldo deal.

Earlier this year, Siemens passed an important first hurdle in its attempts to break into the Italian market by being officially recognised as a potential supplier to the FS.

Meanwhile, an Ansaldo official said the collaboration with Siemens meant its cooling technology would also be used in future German locomotives.

Turkey close to Libyan debt deal

TURKEY is near to winning Libyan agreement to settle a $600m (£314m) debt owed to Turkish contractors, if details of a protocol involving a debt-for-oil swap can be finalised, John Murray Brown reports from Istanbul.

Officials from the Turkish Eximbank and Libya's Umma Bank last week initialled terms to provide payment to Turkish contractors for the first time since September 1990. Mr Ozer Olcmen, head of the Union of Turkish Contractors in Libya, said Tupras, the Turkish oil company, has still to fix a price for the Libyan crude, proceeds of which would be lodged in an account in the Eximbank to repay Turkish contractors. He expected final agreement in the next 10 days.

Turkish contractors have done more than $10bn-worth of deals since the early 1980s, building infrastructure for the Libyan oil industry. At one time, over 200 Turkish companies were engaged in this market. Today, 38 Turkish groups are owed $282m by Libya, according to Turkish figures. The balance is owed by local Libyan authorities.

Mr Olcmen traces the problem to Turkey having made its lira convertible in 1990. To comply with terms of an IMF pact, Ankara had to close the account held by the Turkish bank through which Libyan payments were made.

Malaysia makes Pacific waves

Calls for east Asia trade pact are worrying some, writes Kieran Cooke

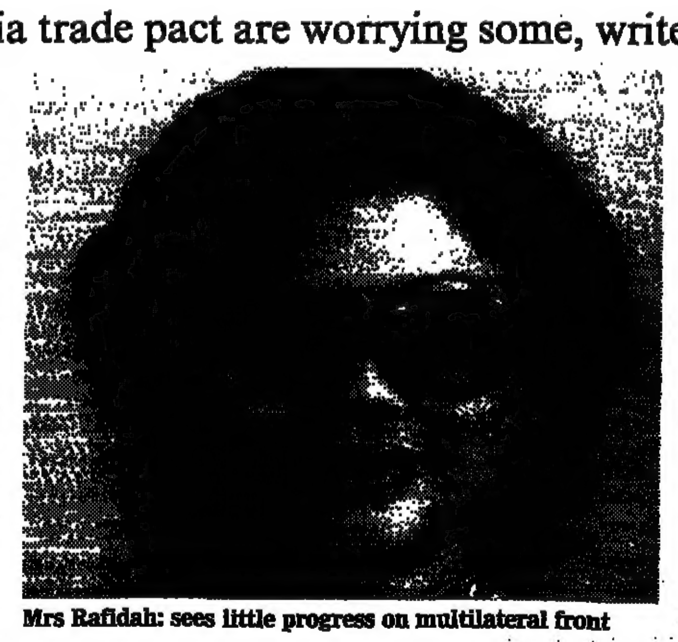
MRS RAFIDAH Aziz, Malaysia's minister of trade and industry, does not mince her words. On a recent visit to Tokyo she described Japan as acting like "a bashful bride". On a subsequent visit to Canberra, she asked the Australians to decide whether they were part of Asia. In between Mrs Rafidah launched a thinly veiled attack on the US, warning it about interfering in Asia's affairs.

The subject under discussion has been the East Asian Economic Caucus (EAEC), an idea inspired by Malaysia to combat what it sees as a growing tendency among the industrialised countries to divide the world into regional trade blocs. Malaysia wants the fast growing economies of east Asia, including Japan, to join together to form common positions on questions of trade.

Now it seems to be making a determined effort – through Mrs Rafidah and Mr Abdullah Badawi, the Malaysian foreign minister – to bring the EAEC to reality. So far the Japanese remain bashful about the EAEC, the Australians are still undecided, while the US makes no secret of its continued hostility to the idea.

An EAEC was first suggested by Dr Mahathir Mohamad, the Malaysian prime minister, more than a year ago. Malaysia's fellow members in the Association of South East Asian Nations – Indonesia, Singapore, Thailand, the Philippines and Brunei – have not been greatly enthusiastic about the idea.

In the first instance it appears the other Asean members were not consulted. There has also been the fear that a new trade grouping, including the powerful north-east Asian economies, would be looked on with great anxiety, especially in North America where it would be likely to increase already strong protectionist sentiment.



Mrs Rafidah: sees little progress on multilateral front

Mrs Rafidah insists that the EAEC would not become another trade bloc. She says the idea of the EAEC came into being because of frustrations about the lack of headway being made in the Uruguay round of multilateral trade talks.

"Because we do not see free trade coming, we would like to talk about getting freer trade in this part of the world," says Mrs Rafidah. "It is important for east Asian economies, which account for 20 per cent of total world trade, to meet at private sector, official and ministerial levels to discuss how they can enhance trade and investment."

The US has clearly stated its opposition to any move towards an EAEC. In the words of Mr James Baker, the US secretary of state, an EAEC would "draw a line down the Pacific" with the US on one side and Japan and the other Asian economies on the other.

Though Malaysia has watered down its original proposal – describing the EAEC as a caucus rather than its original group title and stressing its proposed mainly consultative role – it seems the US will not be satisfied until the idea is dropped entirely.

"Washington clearly sees the EAEC as the camel's nose under the tent," said one US source.

Instead, the US is stressing the importance of Apec – the Asia-Pacific Economic Co-operation forum. On a recent visit to Kuala Lumpur, Mr Paul Wolfowitz, the US under-secretary of defence, said the US could not afford to drop its commitment to east Asia.

"In 1991, our two-way trade across the Pacific exceeded $310bn – nearly one third larger than our trade with Europe. The US exports more to Malaysia than to the countries of the former Soviet Union; more to Indonesia than to eastern Europe and more to Singapore than to Spain or Italy."

Japan has been non-committal so far about an EAEC. On one hand Japan is deeply involved in the region's economies, with an estimated $35bn invested in the Asean countries – nearly a third of its total overseas investments.

But Japan remains sensitive not only to US trading pressures, but also to fears expressed in some south-east Asian countries about growing Japanese economic dominance – which inevitably conjure up wartime memories of Japan's "Greater Co-Prosperity Sphere" in Asia. For these reasons Tokyo would be unlikely to want to take a lead role in an organisation such as EAEC.

Malaysian officials privately argue that an EAEC would in fact contain Japanese power in the region. Within an EAEC forum Japan could be pressured and steered in the right direction.

Malaysia risks embarrassment by continuing to press the EAEC idea so strongly to an apparently unappreciative outside audience. But as the fastest growing economy in the Asian region over the last four years it clearly feels its onward success is threatened.

The fear for countries such as Malaysia, said one government minister, is that the world trading environment is disintegrating into regional blocs "with each appearing like a beautiful castle from inside, but in effect a fortress to those outside".

Germany's industry appeals for barter cover

By Christopher Parkes in Bonn

GERMANY's leading industry and trade associations yesterday appealed for federal guarantees to cover barter trade deals with Russia and eastern Europe.

"We are looking for new ways of doing business with the east in the '90s," said Mr Gerhard Reckel of the BGA foreign traders' association. The classic trading formula – goods for money – would no longer be effective in the foreseeable future.

Barter would become increasingly important, but there was no federal mechanism comparable with the Hermes export credit insurance agency to protect German companies.

The appeal for new support from the BGA along with the Federation of German Industry (BDI) and the national trade and industry chamber (DIHT) will be discussed with the finance and economics ministries next week.

According to the BGA, trade with Russia and former Soviet Republics fell a further 25 per cent to 30 per cent in the first five months of this year. Almost all business now being transacted was between German companies and their subsidiaries in the east.

In 1991, German exports to the former Soviet Union fell 35 per cent to DM18.2bn (£6.3bn) and imports dropped 20 per cent to DM14.6bn.

The associations claimed that barter guarantees had advantages in that banks would not need to be involved, and that eastern trading partners were less likely to renege on agreements than with credit deals.

Defending their claim for state aid, they pointed out that Mr Jürgen Möllemann, economics minister, who has promised to develop but has yet to unveil a new eastern trading strategy, admitted that his plans would "cost money".

"One thing is clear. Without subsidies there will be no trade at all with the east in the next few years," Mr Reckel said.

Pressure grows for state aid on housing market

By Andrew Taylor and Robert Peston

PRESSURE ON the government to revive Britain's housing market intensified yesterday following the publication of figures showing a further sharp fall in housebuilding during the three months following the general election in April.

The announcement by the environment department of the decline in housing output sent share prices of construction and building material companies tumbling on the London Stock Exchange.

The FT-Actuaries index of leading construction shares fell by 2.6 per yesterday cent to 609.68. The FT-A building materials index fell 3.2 per cent to 756.43.

Housebuilders in Britain, after allowing for seasonal variations, started work on 8 per cent fewer homes in April, May and June than during the previous three months, according to the Environment Department.

The total number of starts of 38,900 were the lowest quarterly figure since the final three months of 1990 when the housing market was at a very low ebb just before the start of the Gulf war.

Publication of the latest output figures coincided with fresh appeals to the government to pave the way for an economic recovery by stimulating the housing market and boosting consumer confidence.

Meanwhile, Lord Alexander, chairman of National Westminster Bank, yesterday put forward a three point plan for economic recovery, while backing the government's commitment against any devaluation of the pound within the European Exchange Rate Mechanism (ERM).

He wants to boost the housing market by doubling the ceiling on mortgage interest tax relief from £30,000 to about £60,000, though he would want all mortgage tax relief abolished in 10 years.

The bank also favoured greater government spending on transport and infrastructure projects and is also promoting the granting of accelerated tax allowances on capital investment by companies.

Mr Donald Kirkham, chief executive of the Woolwich, Britain's fourth largest building society, also appealed to the government to allow mortgage tax relief on loans up to £60,000 for the first 12 months after a house purchase.

He said homeowners were feeling poorer every month as house prices and consumer confidence dwindled. As a result people were saving more and spending less.

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LSE bid for County Hall dismissed as speculative

By Andrew Adonis

CONTROVERSY surrounding the bid by the London School of Economics to move to County Hall, the London site on the banks of the Thames opposite the Houses of Parliament, grew yesterday when the London Residuary Body (LRB) publicly urged the government to reject the bid out of hand.

The LRB, which owns the site on behalf of the London boroughs comprising the former Greater London Council, is adamant that its original decision to sell the site to Shirayama, the Japanese developer, was right. It dismissed the bid by the London School of Economics (LSE) as "highly speculative and not worth serious consideration".

The LRB argues that the offer, made last week, does not even meet the university's own agreement with Mr Michael Howard, the environment secretary, that it submit an "unconditional bid".

"The LSE offer is conditional on the completion of the sale of their present Houghton Street premises at a highly speculative value in three years' time and on receiving clearance from the Universities Funding Council," it said.

The tone of the LRB's criticism reflects the frustration of Sir Godfrey Taylor, its chairman. The government changed its mind after the election to allow the LSE to bid, although its desire to move to the site from its cramped campus in central London had been known for months before the sale to Shirayama.

Sir Godfrey is advising Mr Howard not only to reject the bid, but to remove the clause in the Shirayama contract giving the government until the end of the year to withdraw from the agreement.

"We want to remove the get-out clause so that Shirayama can get on with their planning application for the hotel conversion and we can get on with finding a buyer for the rest of the site," he said.

Shirayama's £60m contract is only for the riverside building. The LSE is offering £65 for the whole County Hall site, less than half of which is occupied by the building. The LRB believes it could secure "well in excess" of that sum for the entire site.

Rail complaints reach record

By Richard Tomkins, Transport Correspondent

COMPLAINTS about British Rail (BR), the state rail network, reached record levels in the year to March, the passengers' statutory watchdog reported yesterday.

But the Central Transport Consultative Committee (CTCC) blamed the government more than BR, claiming it had failed to allocate enough resources to the railways.

Major General Lennox Napier, CTCC chairman, said: "I give British Rail credit for doing its best with outdated equipment and rolling stock and inadequate levels of long-term investment."

The CTCC's report acknowledged that big increases in funding had been authorised by the government, but said they had still left BR £3.1bn short of the £7.4bn it needed for investment over the next three years.

The result had been that badly needed projects such as rolling stock replacement for Network SouthEast commuter services and the upgrading of the West Coast Main Line had been put on indefinite hold.

The CTCC said alternative methods of financing investment needed to be explored, such as leasing arrangements and allowing BR to tap the international money markets for funds.

Complaints rose from 8,053 to 8,371 in 1991/92, an increase of 3.9 per cent. This was more than twice the number in 1985/86 and more than four times the number in 1980/81.

Top five categories of complaint were punctuality, suitability of services to passenger requirements, the amount of information at stations, fares, and refunds and claims.

Maj Gen Napier said he supported the Passenger's Charter, but felt it should have set tougher targets. He said he was not against privatisation, but he was wary of the risk that the government could used it as an excuse to cut investment in infrastructure and rolling stock.

Age of the train: underinvestment has forced BR to rely on old rolling stock and tracks, leading to delays and complaints

Insurer plans scheme to cover price falls

BUYERS of new homes will be able to insure against plummeting property prices under a scheme launched this week, writes Andrew Taylor.

The scheme, provided by General Accident Property Services which operates a chain of 400 estate agents and is part of the General Accident insurance group, comes as the government is under pressure to stimulate the depressed housing market. House prices in south-east England have fallen by a quarter since 1988-89.

General Accident is offering to cover owners forced to sell their home within three years of a purchase against losses of up to 10 per cent of the original price, to a ceiling of £15,000.

The scheme will not be offered to the public, but will be sold through housebuilders, as a sales incentive. The cost to builders would be a flat fee of less than £300 a house which would for three years' cover.

General Accident said that purchasers, to qualify, must have been forced to sell their home by loss of a job or forced job move, a divorce or separation, or by the withdrawal of equity by a joint mortgagee.

TUC faces radical overhaul

By Michael Smith, Labour Correspondent

SENIOR union officials are proposing that the Trades Union Congress (TUC) – the umbrella organisation for UK unions – should concentrate on just six priorities, a third of the current total, in a move they will present as a radical rethink of its role.

The proposals, made in a confidential document approved by the TUC's ruling general council, have been formulated as a growing number of affiliated unions are questioning the organisation's effectiveness following a fourth consecutive general election victory by the Conservatives.

The TUC document, due to be submitted to the September congress, follows a 20 per cent reduction in staff, implemented to avert financial deficits.

It acknowledges that a "more sharply focused programme of work" is needed.

The Congress's six priority tasks will be a campaign for full employment, promotion of an employee's charter, lobbying on trade union legislation, Europe, developing services on education, health and safety and equal rights and "planning the inter-union future."

Although the document does not go into details on such a code, it is likely that the TUC will propose that unions do not actively recruit each other's members, even though the legislation would make it virtually impossible for the congress to forbid poaching.

Current TUC policy is to concentrate on 17 priority areas. Those include the development of free trade unions in central and eastern Europe, "quality in public services", joint action on training and trade union recruitment.

The document says the reduction in priorities provides a basis for allocating the TUC's more limited resources and for a concentrated public relations effort around proposed campaigns.

London landmark shows signs of financial neglect

Plans for a city leisure complex have floundered, write Jimmy Burns, John Plender and Richard Donkin

THE controversy surrounding Battersea Power Station, the semi-derelict London landmark on the river Thames, looks set to be refuelled more than two years after redevelopment work was halted due to lack of funds.

English Heritage, the state-funded conservation body has asked the owner, property developer Mr John Broome what his plans are for putting the future of the power station on a firmer financial footing.

The move follows the publication last month of a report by the National Audit Office, the government spending watchdog, warning that many listed buildings are at risk because of slack financial monitoring.

Mr Broome has shunned media attention since his plans to have a leisure complex on the Battersea site, opened by Mrs Margaret Thatcher in May 1990, came to nothing.

His spokesman Mr David Cooper says he is confident about negotiations to revive plans for the leisure complex. Battersea Leisure, Mr Broome's company, claims to have held talks with Abela Holdings, a Lebanese owned in-flight catering group.

But Abela denies it has been involved in any talks on the power station. It remains to be seen whether the company becomes the latest potential partner to shun Mr Broome's approaches.

A potential link-up with a Japanese consortium has also been dismissed as a "red herring" by banking officials in London.

Earlier approaches to property developer Mr John Bloomfield and Parc Securities, part of Mr Werner Rey's Swiss-based Omni Holding Empire have also failed to meet the expectations generated by the Broome camp.

The approaches were made after Mr Broome had been ordered by his creditors to halt work on the leisure development after costs soared by an unbudgeted £60m to £230m by 1989.

Bank of America, Mr Broome's main lender since taking over Security Pacific, has refused to comment on the Battersea project, insisting its finances were protected by "client confidentiality."

It is understood, however, that the Battersea portfolio is being overseen in a special department of the bank's London offices which deals with loans which are on a critical list, in default, or in a "special care" category.

Although Mr Broome realised £60m from the sale of the Alton Towers leisure complex to Pearson, owners of the Financial Times, his finances are still stretched.

Mr Broome's company, Battersea Group, formerly Alton Towers, spent £18m on the acquisition of 85 per cent of the Battersea site in 1987. This figure includes the cost of foundation work and clearing the site of asbestos. At the peak of the property boom in 1988, when it bought the remaining 15 per cent, Battersea Leisure, the subsidiary which owns the site, was valued at no less than £110m.

Yet Battersea Leisure had a deficiency of net tangible assets at the time of more than £300,000. The difference between minus £300,000 and plus £110m represented hope value: the amount the project might be worth on the assumption that it would proceed to a successful conclusion.

When Battersea Leisure last filed accounts – for the year to November 30, 1990 – its tangible assets, chiefly of land and buildings on the old power station site, had risen to £90.4m in the balance sheet. But £28.6m of this figure consisted of capitalised interest owed to the banks. A further £7.1m represented project management fees and other expenditure charged to the company by fellow subsidiaries in John Broome's property and leisure group.

The assets were financed by a bank loan of £47.1m secured by charges in favour of Security Pacific National Bank since taken over by Bank of America), trade credit thought to come largely from Sir Robert McAlpine, of £15.2m, much of which is secured on a second charge, and £20.3m of borrowings from other John Broome companies.

The auditor's report, signed by Touche Ross on April 24, 1991, assumed that the company was able to find finance to repay current bank borrowings and to complete the Battersea power station project. Outside estimates have put the ultimate cost of the scheme at anything up to £300m.

But the Battersea site is a valuer's nightmare; in today's depressed London market, in which development property has been particularly badly hit, most of the value could have been wiped out, leaving the banks and other creditors with very little to cover their outstanding loans.

An unusual feature of the saga is that John Broome originally bought 15 per cent of Battersea personally in 1987. He then sold this minority stake for an inflated price of £16.5m in 1988 to Alton Towers. Some £11m of the proceeds were paid to John Broome in the form of shares in Alton Towers, while he was paid the remaining £5.5m in cash.

Today the shares are almost certainly worthless. But unless the banks extracted personal guarantees for their loans to his business empire, Mr Broome will have extracted an impressive £5.5m of cash profit from a development that continues to scar the London landscape and which may never be completed.

Mr Cooper disputed that figure and insisted that any cash left over from the sale went on tax liabilities.

"John Broome did the 'right thing' by putting the proceeds of his Alton Towers sale into the Battersea project.

"He ought to be patted on the back or else called a complete idiot because he could have run off with the money. I think probably the reason he did was because he wanted a knighthood at the end of the day."

In fact the knighthood has eluded Mr Broome in spite of being declared a man of "enterprise and vision" in June 1988 by Mrs Thatcher.

Instead there appears to be growing embarrassment in the Conservative party about the way the issue has been handled amid fears it could damage the image of the local authority, Wandsworth Council, as a prudent local authority.

The council had budgeted on making £1m in building fees from the leisure development in the period 1988-91. Instead it threatened Mr Broome with legal action last month to recover more than £170,000 owed for building control and inspection work on the semi-derelict Power Station.

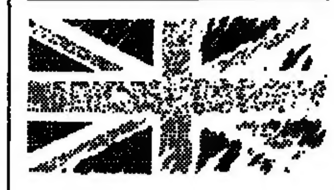
As one Tory councillor put it: "The most important change for Mr Broome is the willingness of the council to indulge in him has gone."

Despite the damaging impact on the Battersea landscape of the half-derelict development, Mr Guy Senior, chairman of the Council's planning committee said: "It has not been our responsibility to know what the state of Mr Broome's finances are or were. That is the responsibility of the banks."

Bankers say they know the state of Mr Broome's finances only too well. Their problem however is twofold: the Battersea site is probably now worth less than the money they are owed, and even if they became owners of the power station they would find it it difficult to know what to do with it.

Boom to bust: Battersea developer John Broome (above) is under pressure to put the site on a firm financial footing

Britain in brief



Bids invited to manage riot-torn jail

Bids to manage the re-built Strangeways Prison, Manchester, which was severely damaged in Britain's most serious jail riots of modern times, are to be invited from both the public and private sectors.

If ministers choose a private sector bid, Strangeways will become Britain's first old-established prison to be run under private management.

Strangeways is undergoing extensive refurbishment after the riot damage two years ago, and bids for its management will be invited in the autumn. Securicor, the security services group, said that it is likely to be among the private-sector organisations interested in bidding.

Engine plant to start output

General Motors is to start production in November at its £190m engine plant at Ellesmere Port, north west England.

The top-of-the-range V6 engines to be produced at the plant will be used in GM's European Opel/Vauxhall executive cars and will also be supplied to Saab Automobile, the Swedish car maker in which GM holds a 50 per cent stake and management control.

Tighter rules on labelling

The government has announced plans for tighter rules on food labelling, to require more information to be given to consumers and curb misleading claims by manufacturers.

However, Mr Nicholas Soames, the food minister, said implementation of many of the planned changes would depend on negotiations in Brussels, where the European Community is considering legislation on food labelling.

Britain would need to persuade the European Commission to amend some proposals it had already made.

UK reserves fall by $86m

The UK's gold and currency reserves fell an underlying $86m in July, indicating small-scale intervention by the Bank of England to support sterling in the exchange rate mechanism of the European Monetary System last month.

The Treasury, however, said that stripping out proceeds from the privatisation of British Telecommunications, the official reserves fell a net $296m.

The overall level of official reserves, which includes borrowings in foreign currencies and the Ecu and official repayments, rose by $50m to £45.7bn at the end of last month.

Casualty units overstretched

Staffing at accident and emergency departments in England was often overstretched with some being manned by inexperienced doctors during busy night periods, according to the National Audit Office.

In a report on National Health Service casualty departments in England, it said medical staffing levels often fell "well short" of recommended levels.

In a report on Scotland, it found consultants for accident and emergency departments were "often overstretched".

Go-ahead for Center Parc

The government has given the go-ahead to the UK's third Center Parcs holiday village, to be built at Longleat in Wiltshire, creating up to 750 jobs.

The 400-acre development in Aucombe Wood, more than two miles from Longleat House and safari park, was granted outline planning permission after a public inquiry in January.

Crimes rise at petrol stations

More than eight in 10 petrol stations last year suffered crimes, including armed robbery, attacks on staff, burglary, fraud, theft and vandalism, according to a survey of petrol retailers published yesterday.

Of 604 members of the Petrol Retailers' Association questioned by Gallup, 84 per cent said they had suffered some form of crime; 55 per cent had suffered "drive-offs" – motorists failing to pay – 50 per cent had suffered credit and cheque card fraud, and the use of forged banknotes; 41 per cent suffered shoplifting; 34 per cent suffered burglary and vandalism; 15 per cent suffered robbery; 7 per cent suffered attacks on staff.

Pay deals remain static

Pay settlements in the Scottish engineering industry have now remained below 5 per cent for five consecutive months, according to employers. Colonel Howard Jordan, chief executive of the employers' body Scottish Engineering, said the increases reflected the slow rate of growth in the industry.

Figures for the three months to July show an average increase of 4.8 per cent.

Victor Mallet looks at an unusual rehabilitation project

Enterprise brews in Cambodia

Foreign investors could be forgiven for shuddering at the mere thought of embarking on an industrial venture in Cambodia, where the infrastructure is in a shambles after two decades of war, skilled workers are dead or exiled and Khmer Rouge guerrillas refuse to lay down their arms in accordance with a UN peace plan.

Indeed, most of the businessmen thronging the hotels of the capital Phnom Penh are traders, property speculators, bankers or UN contractors. But John Harper, an energetic 50-year-old Australian entrepreneur, *is about to start making Cambodian* beer.

The triumphs and travails of Harper and his Australian and Malaysian partners in their 18-month-old project to rehabilitate the brewery in the port of Sihanoukville (previously Kompong Som) demonstrate some of the risks – and potentially high rewards – of investing in a chronically unstable developing country.

As a partner in Pacific Malting of Ballarat in Australia, who had spent 10 years working in Asia, Harper knew that Indochina was an important growth area for the beer industry. He first heard of the Sihanoukville brewery on a visit to Laos in late-1990 and assumed there would a chance to sell malt when it re-started production.

Accompanied by officials of the ministry of industry and a military escort on the dangerous 250km road from Phnom Penh, he went to see the idle and neglected brewery and ended up taking it over himself.

The brewing and soft drinks complex overlooking the sea was built by a French contractor in the late 1960s for the then Cambodian government, but a few years after production began, the war in Cambodia overtook the town and forced the French expatriate staff to leave. Angkor and Bayon, the regular and premium brands named after the renowned Khmer temples in northern Cambodia, were not to appear on the shelves again until this year.

During their reign of terror in the 1970s, the extreme-left Khmer Rouge guerrillas emptied Cambodia's cities in pursuit of an agrarian revolution. Local employees from the brewery were scattered and killed, and no more beer was made. "We found it 20 years later," says Harper. "It's like you've bought a brand new Jaguar, driven it for 18 months and parked it in the garage for 20 years. It's okay, but it's not a new model. The tyres are flat and rats have got into the wiring. We knew we had taken on a formidable task."

He and his Australian partner, Stanley Ng, registered Cambrew Pte in Singapore for the $5m (£2.6m) rehabilitation project, and later sold a majority stake in the venture to a group of Malaysian investors.

"The most formidable problem was that there was not one drawing, not one manual, not one piece of paper to identify the equipment," says Harper. Baffled by the unfamiliar French layout, Harper and his colleagues were reduced to pouring red dye into the drains to see where it emerged.

The mystery of the missing documents was later solved by the few surviving employees: China was the principal supporter of the Khmer Rouge, and the guerrillas had turned to the Chinese brewers, Tsing Tao, in a vain attempt to reopen the plant. According to the Cambodian workers, the Tsing Tao experts took photographs and *shipped all the manuals to China.*

Harper became a detective. By noting the names on the various pieces of equipment in the brewery, he discovered that Nordon was the main contractor and travelled to Nancy in France, where he was rewarded with a pile of plans and drawings. The laborious task of stripping down or replacing everything from boilers to refrigeration units could begin.

"Given the choice I'd rather build a new plant," sighs Vijayan Kuttan, Cambrew's Malaysian production director in Sihanoukville. "From a manufacturing point of view it was a nightmare."

Boilers had to be cut open and rebuilt, gaskets replaced, pressure lines tested and a shell-hole in the soft drinks unit cemented over. "Mechanically it looked alright from the outside, but when you've got a plant that has sat still for a very long time, it's got more damage than if it had been run."

Cambodia's desperate economic straits made matters worse. "Messages initially had to be sent by taxi," says Kuttan, who now has a satellite telephone installed on the balcony of the brewery's administration block. Even today, Sihanoukville produces no electricity in the daytime because of a shortage of fuel, and soldiers wave down cars and trucks on the road to Phnom Penh with their guns to beg for cigarettes or money. The UN operation which has so far failed to eradicate such problems has also lured many skilled Cambodians away from the domestic economy, and Harper says he lost six of his 16 marketing staff to the UN.

In such circumstances it was inevitable that the brewery would have to become a self-sufficient complex, generating its own electricity and purifying its own water for a planned initial capacity of 250,000 hectolitres of beer a year. Harper has even taken over a Phnom Penh glass plant – built by the Chinese in 1966 – and brought in Chinese partners to produce the bottles, although the first batch will be imported when beer production begins in the next few weeks.

Before the repairs to the plant could begin, Harper spent four months in negotiations with the Cambodian government and it was not until April last year that the two sides drank Russian champagne to celebrate a deal. Cambrew was awarded a 20-year lease at what Harper calls "a very acceptable rental" and was granted tax and customs privileges for the project.

Australia's active role in the Cambodian peace talks which led to the comprehensive settlement agreed in Paris last year was a helpful influence, Harper says. He also says he applied two rules to the Cambrew operation: no corruption – even if it means paying $50,000 for a satellite telephone instead of a $3,000 bribe for a regular international phone line – and no private security forces carrying weapons.

Cambodia: foreign investors are beginning to return to the country after two decades of war

Cambrew appears to have few worries about the market for its beer. Apart from strong demand from Cambodians themselves, Harper estimates that each of the 20,000 UN soldiers and officials in Cambodia is consuming between a case and a case and a half of beer each week. At present all beers and soft drinks in Cambodia are imported in cans – mostly from Singapore – and Cambrew is in the gratifying position of being wooed by various foreign companies which are anxious to have their beers made in Sihanoukville under licence. The Cambrew plant will also be bottling soft drinks for Pepsi-Cola International.

Harper is understandably coy about how long it will take Cambrew to recoup the cost of its investment, but it is unlikely to be more than a few years. Critics can already be heard complaining that foreign investors like Cambrew are making a financial killing out of Cambodia, but the risks remain immense.

For a start, there is no guarantee that the authorities will be willing or able to implement their promise to impose higher customs duties on imported beer. At the moment there is supposed to be a levy of a mere $2.80 on each case of 24 cans, but a cash bribe is said to be sufficient to ensure inaccurate counting of the cases.

Khmer Rouge guerrillas are still roaming the countryside and refusing to co-operate with the peace plan, and the Vietnamese-installed government with which Cambrew struck its agreement is now regarded as only one of the four Cambodian factions and has no legal authority to govern on its own.

Harper is quick to point out that Cambrew will be directly employing 1,000 Cambodians, that it will save the country millions of dollars in foreign exchange each year and that reneging on the prestige brewery deal would "destroy direct foreign investment" in Cambodia.

"We were dedicated to make it work in an environment which was very, very tenuous. It wasn't easy when everyone was telling us we were crazy," he says. "We will – unless something dramatically goes wrong – make a very gracious return out of our commitment. But so it should be."

Incentive for bosses to rally around the standard

Lisa Wood explains why managers are finding it valuable to opt for vocational qualifications

TRAINING ON TRIAL

Mention the initials MCI to most UK managers and you are likely to get a blank response. At best they will think you are talking about a US telecommunications company. Yet 130 civil servants at the Driver & Vehicle Licensing Agency know better. They are using new management standards set by the Management Charter Initiative in their annual appraisals.

Formally launched in July 1988 to boost management training, the non-profit and part-government funded MCI has been dismissed by critics as little more than a talking shop. But now, three years on, it is starting to be able to point to some tangible achievements.

"Things are starting to take off now that we have something to promote actively," says Andrew Summers, the new chief executive of the MCI and a former managing director of RHM Foods, a Ranks Hovis McDougall subsidiary. "We have a 10-point code of practice, to which more than 1,300 companies have signed up."

The code of practice was a worthy document with signatories agreeing to a host of good practices such as providing access to training and a framework for self-development.

However there was no mechanism to judge whether the companies were implementing the code. By contrast, the new middle-management standards – based on the best practice among a sample of 4,000 UK managers – offer practical training guidelines.

Along with two other standards for first line managers and supervisors, they have been linked to National Vocational Qualifications. These are are competence-based qualifications, which themselves are only starting to get off the ground.

NVQs span a wide span of achievement – from basic competence to the vocational equivalent of a post graduate degree. The stiffest resistance to NVQs has come from the professions who resist competence-based qualifications.

Summers says that one of the attractions of the MCI standards for many managers is that previous experience and learning can be taken into account when a person's competence to do a job is judged.

He estimates that it costs between £800 and £1,500 for each individual to be accredited for the middle-management standards.

This excludes the cost a company would incur in training a manager over a period of years but includes workshops and advice. A minimum time to obtain accreditation would be about three months with an average time being about 12 months.

It is a considerable investment for an individual – or an employer – to make. Summers says that employers rarely say that cost is an important reason for not training their employees.

More significant, according to survey results, is the time that training takes, with smaller companies in particular finding it difficult to release individuals from their workplace. NVQs, says Summers, ease this problem as almost all the assessment process is done at work.

Some 76 "centres", including training companies and colleges, now have trained assessors who can accredit the new qualifications.

A survey, published by Coopers & Lybrand, the accountancy and management consultancy last week showed some 20 per cent of the large companies polled in May believed the MCI had encouraged the company's human resource development. Not bad considering that the survey was done around the time the new standards were unveiled.

Aussie hockey stars in sight of gold

By Keith Wheatley

AUSTRALIA'S hockey players laid a ghost when they knocked Britain out of the Olympic tournament. Both at the Los Angeles and Seoul Games the Aussies were gold medal favourites – and went home with nothing. Thumping the Old Enemy 6-0 to secure a semi-final place against the Netherlands has given the Australians an enormous boost.

If the Dutch can be seen off tonight, as form suggests, then the most likely final is between Australia and Germany. At Karachi in February the German team convincingly won the Champions' Trophy to add to their current European title.

Set-piece moves, methodical and well-rehearsed, are at the heart of German success. Their remarkable forward Carsten Fischer lies third in the Barcelona scorers' table with six goals, all from penalties or penalty corners. Fischer's shaven head – a side-effect of drugs taken to combat diabetes – and industrial build lend him dominance in front of any goalmouth.

Yet directly below him in the table lie Australia's two most prolific forwards, Stephen Davies and Jay Stacey, with seven of their aggregate 10 scores from field goals.

German coach Paul Lissek watched from the stands, estimating the containment policy which would be necessary to end his country's 20 years without Olympic gold.

Australia's coach Frank Murray believes that his young team may be finding the key to turning their undoubted ability into victories. "It's a confidence thing," he said. "They are just beginning to feel relaxed and when you're young and inexperienced that's the only way to play well. I've been thrilled at our attack but don't forget that we've only conceded two goals in the qualifying rounds."

Lissek faces a special psychological hurdle in taking his German team past Pakistan, first, and then Australia to a gold medal. In 1990 the team passed a vote of no-confidence in Klaus Kleiter, a mentor who had led them for many years but with the biggest successes always elusive. Lissek played 50 times for his country.

Should Germany play and win in their traditional style it will raise once more the tempo of hockey's internal debate about the influence of the penalty corner on a game that relies for its very attractiveness on the sheer speed of play up and down the pitch.

"You have to be efficient at penalty corners but they're not the be-all and end-all. It bothers people when they dominate a team's results," said Ian Taylor, former British international and now a BBC commentator.

Defeat by Australia marked the end of a glowing era for men's hockey in Britain. Sean Kerley was both its herald and pallbearer. He announced after the match that his career was effectively over.

"This is the end. I don't see myself playing any more international hockey," he said after his third Games. Kerley's seven goals in Los Angeles and eight in Seoul were the keystones in Britain's silver and gold medal performances.

Perhaps more important, his panache and good looks gave the game a massive publicity boost and young male players a role model.

In the 12 months after the team's return from Korea, even routine club hockey matches in the south of England would find hundreds of spectators on the touchline rather than dozens.

If Kerley was playing, numbers could be in the thousands, virtually overwhelming small clubs. It couldn't and didn't last, but it threw a welcome spotlight on a sport that has always felt, with some justification, that in Britain its skill, speed and integrity were too often overlooked.

"Olympic success has meant a massive amount in terms of sponsorship visibility and, more importantly, young players being attracted into the game," said coach Norman Hughes in valedictory mood.

Britain's hopes of a second successive hockey title were destroyed when the women's team lost their semi-final yesterday against the favourites Germany.

Britain can still win the bronze

Mods versus Skinheads

Peter Berlin watches a consummate team sport in a rough part of town

THE MODS took on the Skinheads the other night in Barcelona. It was quite a rumble.

This wasn't some polite Olympic contest in one of the air-conditioned, hill-top sports palaces built for the Games. This was a street affair fought in a sweaty old gym near one of the rougher parts of town.

The US men's volleyball team, winners of gold at the last two Olympics, took on the younger, bigger Italians, who are the reigning world champions.

The Italians had already won their qualifying group and the US was sure of second place, so this was a battle for pride and a psychological edge should the two meet again in the gold medal game. The battle lasted three hours.

First came finger-pointing and stares. Then the hitting started: violent and unrelenting. Volleyball may not be a contact sport, but it is not short of aggression.

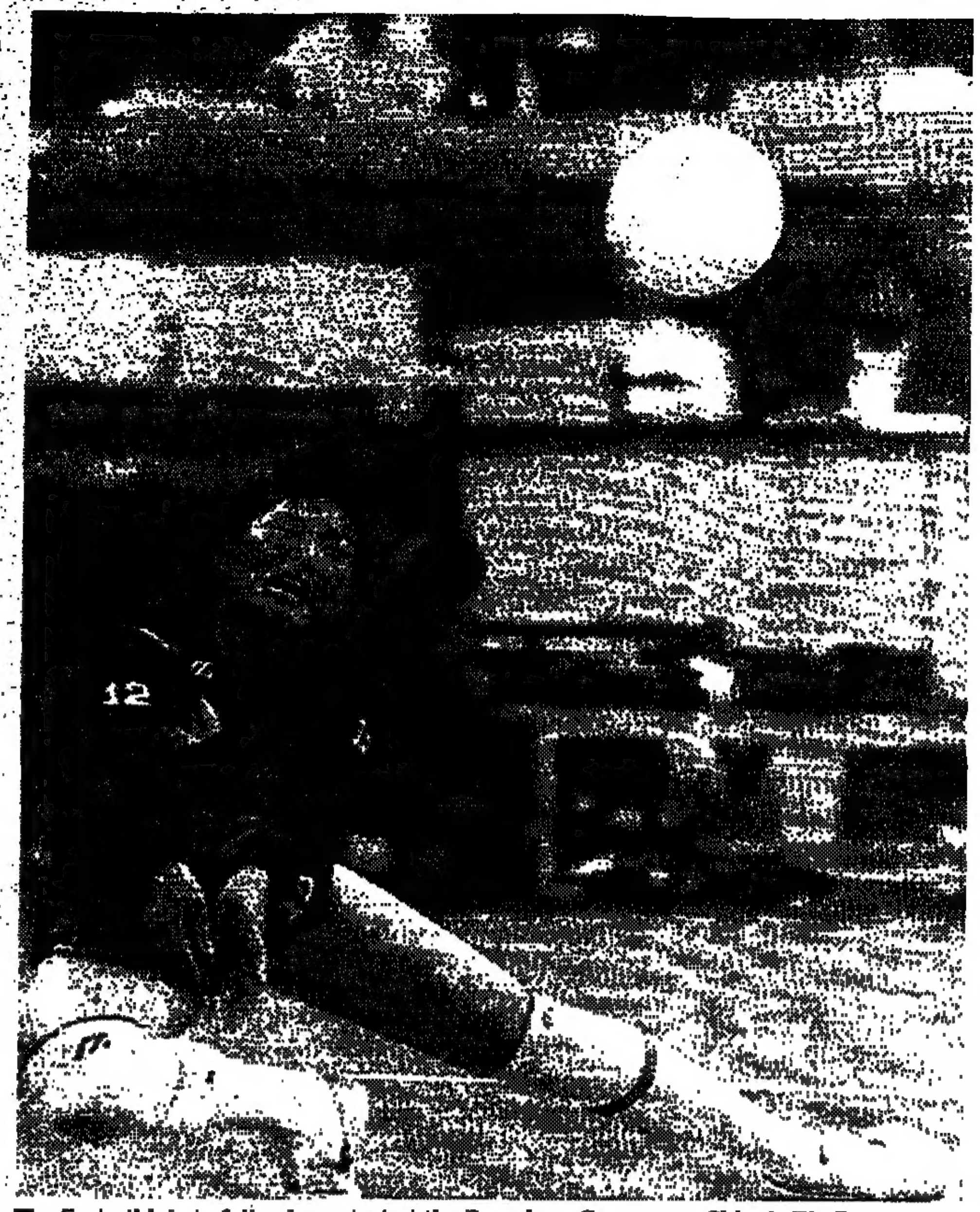
In a game where the two teams are separated by a net, looks, including stares, are important.

The US team, half of whom give as their home towns beaches in southern California, shaved their heads last week to express solidarity with their bald team-mate, Bob Samuelson, following a yellow-card dispute which cost them an earlier match.

It was a brave thing to do, especially as Samuelson, who has no facial hair and therefore no experience of razors, did most of the shaving. Even with five days' growth (Samuelson excepted) the team look highly menacing – and thoroughly stupid.

The Italians, all star players with the big professional clubs in the Italian league, also pay close attention to their hair: short but not staid with a little something to hold it in place even when they are diving around the floor and leaping in the air and sweating like flying pigs.

Their oldest player, Andrea "Lucky" Lucchetta, 29, sports a particularly impressive topiary which builds to a delicate coxcomb along his parting.



The first athlete to fail a drugs test at the Barcelona Games was China's Wu Dan, seen diving for the ball during a volleyball game against the Netherlands last Friday.

Wu Dan tested positive for the stimulant strychnine and was banned from the Games, said the International Olympic Committee yesterday

The basic strategy of volleyball is simple. If your opponents manage to get the ball past the blockers at the net, you have three touches to create a killing attack of your own. The first will usually be a defensive scoop or "dig" which guides the ball to the team's setter.

He pushes the ball up in the air, usually to a pre-arranged spot, where one of the big men should be flying in to windmill it down on the other side.

The best attackers have such powerful vertical jumps that they seem to hang in the air, assessing the defence, before battering the ball.

Most teams have two or three reliable hit men. The Italians can put six men on court at once who can deliver the knock-out blow. On some plays five men can be flying towards the net at once as part of a choreographed attack. This is the Raging Bull school of volleyball.

The joy of volleyball is that it is not a contact sport, said Sylvie Bigras, the assistant Canadian *chef de mission* at the Olympics and a former junior international, as she watched her countrymen pounded into the plastic matting by the big-hitting Italians 15-11 8-15 15-12 15-7.

It is also "the consummate team sport. A player can't control the ball as it rebounds off his body, and run with it."

Against the US, Italy came out punching. Andrea Zorzi, 2 metres tall and designer-stubbled, circling far off the court to get the best angle of attack for his roundhouse rights. The Italians' other 2-metre man, Andrea Gardini, smashed imperious attacks from centre of the court.

"They're a very physical team. Big strong, good jumpers, hittting the snot out of the ball," said Bob Ctvrtlik, one of four US team members who play in the Italian league. "Everything is a power game."

By the start of the second set, the Americans were punchy. But in volleyball, where the six men on court must defend as one, move as one and think as one, sudden shifts of mood are common.

"Momentum is everything in volleyball – more than any other sport," said Ctvrtlik. "It comes in waves."

Simply by hanging on, the US broke what Italian coach Jose Velasco called "the rhythm of our concentration". Somehow the tide had turned. The US fought back to win 9-15 16-14 15-11 15-11 on their sixth match point.

"We rely on defence and slowing the ball rather than stuffing it," said Ctvrtlik. "The Italians are not used to having the ball come back. The US tactic is to wear them down."

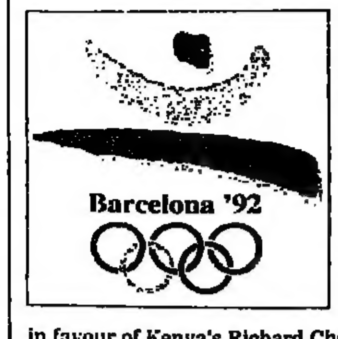
Velasco agreed: "If an opposing defence plays well, we lose our rhythm of concentration. For Italy to win, we had to defend and block as well as attack."

In the quarter-finals today the US play the Unified Team, about whom they are superstitious and suspicious. Italy play the Netherlands.

Each teams will keep a wary eye on the other's progress.

OLYMPIC NEWS IN BRIEF

Kenya may pull out of track, field events



Kenya's track and field squad may pull out of the Games if the controversial reinstatement of Moroccan runner Khalid Skah as men's 10,000 metres gold medallist is not overturned.

Kenyan *chef de mission* Isaiah Kiplagat protested to International Amateur Athletic Federation president Primo Nebiolo after Skah was first disqualified in favour of Kenya's Richard Chelimo, then reinstated on appeal.

Asked if Kenya would boycott the rest of the athletics events if they did not get satisfaction, Kiplagat said: "If we feel that we're not getting a fair judgment the possibility would be there, but we're not saying that at the moment."

A Kenyan official said the team might boycott races from 800m up. However, the team's assistant general manager, Aish Jeneby, later indicated that there might not be a boycott. "We Kenyans are fighters. When we lose in one event, we regroup...You watch us tomorrow," he said.

More bronze for Britain

Lawrie Smith salvaged a medal for Britain from an otherwise disastrous yachting campaign by snatching a bronze in the Soling Class.

Skipper Smith, with crewmen Rob Cruickshank and Ossie Stewart, grabbed the verdict in a photo finish with Germany in the deciding race of three.

The British team of Richard Priestman, Steven Hallard and Simon Terry beat France 233-231 to take bronze in the team 70 metres archery.

Spain took the gold by beating Finland by 238 to 236.

UK seventh in team jumping

Britain's John Whitaker on Milton (right) clears a jump in the first round of the equestrian jumping competition.

The Yorkshireman guided his charismatic 14-year-old grey to a clear round and followed this with just four faults in the second round after Milton put a foot in the water jump.

Nick Skelton, on Dollar Girl, was poised for a clear round approaching the last fence on the testing Real Club de Polo course. But the 12-year-old mare refused twice, so Skelton was eliminated from the first round. Then Tim Grubb, on Denizen, steadied the ship with 8.7 faults. Whitaker's brother Michael on Monsanta then recorded just four faults before Milton's clear round.For all their efforts, however, Britain could still only finish in a disappointing seventh place. Holland took the gold with 12 faults, Austria collected silver with 16.75 and France the bronze with 24.75.

Barcelona ripple signals love-in

Fans in the main stadium make no distinctions for race, sex or talent, says Peter Berlin

IT IS better than the tedious Mexican wave. It is the Barcelona ripple. When the runners circle the Montjuic track, the crowd applaud as they pass. The athletes' progress is marked by the patter of 120,000 hands rising to a warm crescendo in the final straight.

If there is a Spaniard running, the ripple builds to a roar; if it is a Catalan, the stadium goes crazy. The knots of supporters from other nations (notably Japanese, American and British) are a little raucous in support of their boys and girls. Otherwise, this is an equal-opportunity love in: no distinction for race, sex or athletic ability.

The fans seem to enjoy all the events. They applaud each toss by the *hammer throwers* and set up rhythmic applause for every triple jumper. They sympathetically lament each no-throw and foul jump. Sometimes, there is even a spontaeneous round of applause for no apparent reason.

Today, when the athletics resumes after a one-day break, there should be plenty of rippling. It is the first day of the decathlon, and there will also be finals in both men's and women's 400 metres, the men's 800m, the women's 400m hurdles and the men's discus.

At a reunion of decathletes yesterday, the experts thought Dave Johnson of the US would be given a fight. Daley Thompson said Robert Zmelik of Czechoslovakia and Mike Smith of Canada would run Johnson close, though Johnson was particularly strong in the *second-day events*.

One of the most striking things about the reunion was the physical diversity of decathletes. There was the sheer bulk of Bob Matthias (Olympic gold in '48 and '52) and Jurgen Hingsen (silver in '84). There were the tall, but surprisingly skinny, Bill Toomey (gold: '68) and Bruce Jenner (gold: '76). Thompson seemed almost petite.

Afterwards, Frank Zarnowski, a broadcaster with NBC, said that the decathlon was the only event "in which the world record had been held by a red man (Jim Thorpe), a yellow man (Yang Chuan-Kwang), a black man and a white man."

If you are sprawling at home on your sofa, a Barcelona ripple or a Mexican wave is not much fun. So here is another game *all the fans at Montjuic* are playing. You can join in. It is called Spot the Druggie.

This is a murky world. Gwen Torrence, the US sprinter, has released a statement clarifying remarks she reportedly made after finishing out of the medals in the 100m final. She had *not* said Juliet Cuthbert of Jamaica, the silver medalist, had taken drugs, she insisted.

Torrence said: "I told Cuthbert I did not think she was taking drugs. I did tell her there were three people in the final who were competing unfairly, but I will not say names."

How could she tell?

Assuming that her rivals were not shooting-up in the dressing room, Torrence would have to go by the same clues apparent to any TV viewer.

Today, the female sprinters are back in action in the 200m semi-finals, so here are the things to notice:

Listen for unusually deep voices; keep an ear cocked for women who give press conferences that sound like Louis Armstrong concerts. One visible side-effect of growth hormones is growth of the chin and, some say, of the nose. Steroids cause facial hair, acne and large, bulging muscles whose definition is increased by an almost complete absence of body fat.

In women's sprinting, then, celulite round the thighs is a thing of beauty.

Lost and found: Morocco's Khalid Skah was reinstated yesterday as winner of the men's 10,000 metres after initially losing his medal because of a lapped team-mate's behaviour during the race.

Kenya's Richard Chelimo was demoted back to second.

BUSINESS AND THE ENVIRONMENT

Michael Skapinker reports on a Majorcan plan to reap the benefits of mass tourism without sacrificing the island's natural beauty

Sun, sea and sewage

In choppy seas off the south-east coast of Majorca, our captain, Juan Diaz, spots our catch.

Floating half-submerged is a plastic shopping bag, filled with rubbish and tied by the handles. Our small craft, one of 10 operated by the Majorcan island council, slowly circles the offending object while Juame Ferrer, the second crew member, scoops it out with his black fishing net.

Judging by the day's haul – two refuse bags filled with mineral water containers, wine bottles and bits of plastic – clearing the sea of rubbish is a labour-intensive business. But this marine litter patrol, which operates throughout the summer, is only one of a slew of Majorcan initiatives aimed at demonstrating that mass tourism and environmental protection are not contradictory objectives.

Majorca's environmental projects have attracted the interest of the International Federation of Tour Operators (IFTO) which believes the Spanish island is developing expertise which could be put to work in resorts throughout the world.

The European Community is poised to give Majorca the financial backing to pull its various initiatives into a coherent framework which could be applied wherever airlines disgorge their sun or snow-seeking charges.

Majorca, which attracts 5m visitors a year, is ideally placed to teach the rest of the world about the benefits and drawbacks of mass tourism, if only because it has experienced such a surfeit of both.

Its tourist industry, which is more than 30 years old, has brought the islanders a standard of living that their poverty-stricken forebears could only have achieved by emigrating – something they once did in large numbers.

For the drawbacks, one has only to listen to local politicians describing the long struggle to restore the good name of the Majorcan seaside town of Magaluf after years of the luridly-reported antics of young, impecunious lager louts.

That Majorca needs tourists is something no one on the island doubts, not even the local environmental activists who criticise the island's projects as too timid to overcome decades of uncontrolled development.

Eduardo Gamero is director general of tourism for the Balearics, made up of Majorca and the neighbouring, smaller islands of Minorca, Ibiza and Formentera. Born in the Majorcan capital of Palma 50 years ago, Gamero has fond memories of the days before the tourists came.

"I remember tramways, a city where everyone knew everyone else and where you could leave your key in the front door. We lost that with the tourist development. Can you leave your key in your front door in Palma today? Absolutely not."

Magaluf's makeover: cleaning up the resort has cost the Spanish government nearly £8m

In the early 1950s, the populations of Palma and of Majorca were shrinking. The capital had a population of 150,000 and the island was home to 300,000 people. Today, the island has a population of 500,000, of whom 320,000 live in Palma, a sprawling, bustling, but not unattractive city dominated by a cathedral. The island, away from the main tourist towns, boasts mountains, coastline and hilltop villages to compare with anything Europe has to offer. The islanders are among the richest people in Spain.

Tourism has brought them their wealth and nothing else could sustain it, Gamero says. The island's agriculture is too small and fragmented to feed the local population. Almost all Majorca's food is imported. As for other non-tourist options, Gamero says that "it would be crazy to think that an island like Majorca could establish heavy industry. We live on tourism. Our only possible future is tourism."

The question for the island is what sort of tourism? Not, all sides agree, the low-cost package tourism that has been and, to a large extent still is, the island's speciality.

First, because Majorca finds it increasingly difficult to compete on price against resorts in countries like Turkey. And second because young alcohol-sodden tourists drive away the respectable families who spend more money and do not rip out newly-planted trees. As Majorca has found, however, an island that plays host to the London Pub, the Mucky Duck and Lineker's Bar finds it difficult to move up-market.

All three establishments are in Magaluf, which comes under the jurisdiction of the socialist-controlled Calvia town council, where Antonio Pallicer serves as councillor for tourism and security.

Magaluf's nadir, he says, was the mid-to-late 1980s, when summer trouble in the streets was at its height. "Our customers were of the lowest sort. Magaluf had become vulgar. We started to think, to analyse. What could we do to change the image of this resort?"

Part of the answer was to change the environment in the hope that tourists' behaviour would show a corresponding improvement, allowing family visitors to return. The first problem was that tourists could wander through Magaluf without being aware of the sea. Wide, paved pedestrian paths were built, making the sea visible from central parts of the town. The council has also built a sea-front promenade, lined with 450 fully-grown palm trees imported from Egypt.

The roads have been narrowed to discourage traffic from coming into the town and the pavements have been widened. Large concrete balls have been fixed to the pavements to stop cars from parking there. There are fountains, an air-conditioned first-aid post on the beach and new litter bins everywhere. The project has cost Pta 1.4bn (£7.7m), paid for by the central government in Madrid, the Balearic islands administration and local taxes.

Has it all worked? "Has people's behaviour improved?" Pallicer asks. "I have to be honest. Not as much as I hoped." In the local bars, they are more sanguine. The Royal Plaza, formerly the Britannia, has matched the public expenditure with investments of its own, producing a plush pink interior. Paco Heredia, a barman there for 10 years, believes Magaluf is improving. "But it will take time," he says.

The conservative-controlled Balearic islands government has acted to limit development on Majorca to ensure that it does not lose its remaining natural attractions. A law passed last year declared 31 per cent of the island protected zones, restricting the building of new tourist facilities. Gamero calls it "the most protectionist law in Europe".

All of this is very interesting, says Miguel Angel March, but much of the damage has already been done. Angel is secretary of the Grupo de Ornitologia Balear (GOB), founded in 1973 to protect local bird life and now an organisation which campaigns on environmental issues of all sorts.

As important as tourism is, he says, it is dangerous to depend on only one industry. Agriculture should not be dismissed out of hand, he argues, when the island has a summer market of more than 5m people.

The GOB has a surprising supporter in Alfred Koch, recently retired director of Munich University's tourism institute and now a consultant. He too believes the island should find other ways of making a living, in addition to its main industry of tourism.

Koch heads a team which will take Majorca's projects a step further. IFTO has asked the Munich team to interview tourists and local people to assess their views of the island's tourism and its effect on the environment.

IFTO has been told that the EC is prepared to support Majorca's environment projects with a grant of Ecu450,000 (£320,000) although it has yet to receive written confirmation. IFTO plans to use the experience gained in Majorca to upgrade the tourist industry on the Greek island of Rhodes and in Ireland.

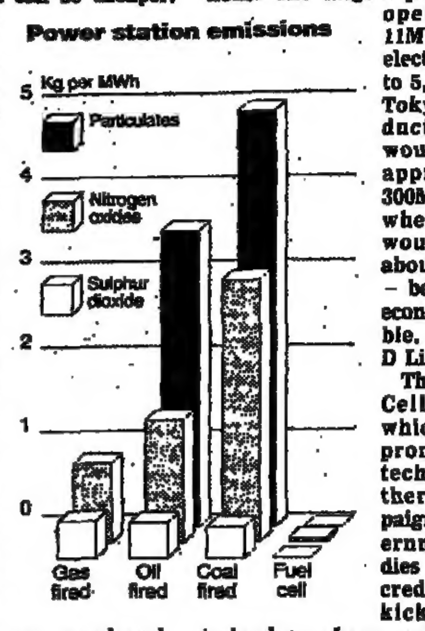
Koch is impressed with what Majorca has done so far, but his long experience of the industry has instilled a certain caution when it comes to attracting higher-spending tourists to a resort and persuading more of them to come out of the high season. "When I started in tourism 40 years ago," he says, "I was warned that I would work on these problems until I had moss on my back."

Fuel cells' chance to take charge

By Hilary de Boerr

The battle by the London Regeneration Consortium to gain planning permission for its redevelopment project at London's King's Cross could hold an unexpected silver lining for the environment. The long delay means alternative energy technologies will be available for incorporation when the project gets under way.

LRC is looking at fuel cell technology to provide at least some of its projected power needs of about 80MW. Fuel cells would be suited to running its articulated bus network, and possibly even provide some of the buildings' electricity, said Hugh Delap, LRC infrastructure manager. "It can be cheaper, more efficient and its pollution levels are a fraction of that arising from current means of producing electricity."



Fuel cells produce electricity from the electrochemical reaction produced when hydrogen and oxygen combine to make water. Oxygen comes from the air and hydrogen from such fuels as natural gas, methanol and coal gas.

New research shows fuel cells can be used in about 90 per cent of cases where conventional energy sources are employed, according to consultants Arthur D Little. Their use would reduce carbon dioxide emissions by up to 60 per cent, and noxious emissions by between 50 and 90 per cent.

The environmental benefits of the alternative energy source are therefore many, say proponents. Emissions of sulphur and nitrogen oxides cause acid rain; those of hydrocarbons and carbon monoxide cause pollution and related health problems; carbon dioxide emissions contribute to global warming. All would be reduced significantly.

The efficient nature of fuel cells would also mean lower demand for non-renewable fuels like coal and oil, with the additional environmental benefit of reduced risk of oil spills. In the longer term, hydrogen for use in fuel cells could itself be derived from renewable energy sources, like landfill gases.

Finally, fuel cells can be sited within cities and near load centres, reducing the need for electricity transmission and distribution equipment, which are criticised for health concerns related to electro-magnetic radiation and for marring the countryside.

The big drawback with fuel cells – as with many other alternative sources of energy – is the high start-up costs. Generation currently costs about $2,500 (£1,300) per kilowatt for a 200kW plant, making it too expensive for most applications. The largest plant currently operating is 11MW, supplying electricity for up to 5,000 homes in Tokyo. But production levels would have to approach 200-300MW a year – when the cost would fall to about $1,500/kW – before they are economically viable, says Arthur D Little.

The World Fuel Cell Council, which is busily promoting the technology, is therefore campaigning for government subsidies such as tax credits to help kick-start the technology. Japan, which imports almost all of its energy resources, has taken the lead with a national goal to install 2,250MW by 2000 and 8,300MW by 2010.

In Britain, the Department of Trade and Industry has set up a programme aimed at accelerating the development of fuel cell systems for early applications in the UK. California, meanwhile, has introduced a requirement that 2 per cent of each motor manufacturer's sales should be zero emission vehicles by 1998, rising to 10 per cent by 2003.

Several companies in the US are developing fuel cell powered vehicles, with Ballard Power Systems, for example, due to demonstrate its hydrogen-operated bus later this year.

PEOPLE

Woodhead's homecoming to FOX

London FOX, the troubled commodity futures and options exchange, is taking on Robin Woodhead (right) as its new chief executive from October, in succession to Phillip Thorpe, deputy chief executive of the Securities & Futures Association, who had been running the market in a caretaker role since last October.

Michael Jenkins, chief executive of Liffe and chairman of FOX since June, says he is pleased with the quality of candidates applying for the post "bearing in mind it is not the easiest market to develop".

FOX was hit by scandal last year, which cost the jobs of both the then chairman and chief executive, Saxon Tate and Mark Blundell. It has also struggled for years to establish credible markets even in its core soft commodities products such as sugar and coffee.

The appointment is something of a homecoming for Woodhead, 42, who played a central role in setting up London's oil futures market, the International Petroleum Exchange, from 1980. He was chairman for IPE's first four years, during which time he was also managing director of Premier Man, a joint venture between Premier Consolidated and ED&F Man. In the early days the IPE used the facilities of FOX's precursor, the London Commodity Exchange and so Woodhead has worked with a number of staff, some in key positions, who are still at FOX.

He then went on to form the National Investment Group, a network of regional stock brokers, which was sold four years later to Capel-Cure Myers Capital Management. A lawyer who spent part of his childhood in Rhodesia, Woodhead has recently been a consultant for Swiss Bank Corporation on southern Africa.

Jenkins, who retires later this year from Liffe after presiding over its first highly successful decade, says that enthusiasm and open-mindedness were two of the prime qualities he had been looking for and found in Woodhead. The latter was yesterday in South Africa and unavailable to comment on his plans to revive FOX.

Breuel quits SKB

Birgit Breuel, president of the Treuhandanstalt, has resigned as a non-executive director of SmithKline Beecham, the Anglo-American pharmaceuticals and consumer products group.

The company says she has resigned because her extensive duties in Germany prevent from her contributing effectively to the board.

When Breuel joined the board in the autumn of 1990, she was deputy head of the agency which has the job of privatising state-owned industry in the former East Germany.

She took over as president the following April, after Detlev Rohwedder, her boss, was assassinated. SmithKline is looking for a replacement; she was the only woman on the board.

■ **Keith Negal**, recently group chief executive of Alpine and formerly a director of Tomkinsons, has been appointed chief executive of GRIPPERRODS.

■ **Paul Kilduff** has been appointed group finance director of TRANSPORT DEVELOPMENT GROUP in place of **Stephen Bodger** who recently became directeur general of Ostra, the group's subsidiary in France.

Counter moves posted

After little more than a year as boss of Parcelforce, 56-year-old Peter Howarth (left) has been brought back in to the mainstream business of the Post Office and been put in charge of the Royal Mail, which earns the bulk of the PO's profits.

The return of Howarth, who joined the PO in 1953 and had been Royal Mail's assistant managing director, is the most important of a series of top management changes following 49-year-old Bill Cockburn's appointment as the PO's next chief executive. It is also a further sign that the sale of the loss-making Parcelforce parcels business is imminent.

John Roberts (right), Cockburn's rival for the chief executive's job, remains managing director of Post Office Counters whose turnover is around a quarter of the size of the Royal Mail.

However, Roberts, 48, is to take on wider responsibilities at group level. He will assist Cockburn on the planned sale of Parcelforce and will help formulate the PO's response to the government's recently-announced review of the future of the PO. He will also take over the group responsibilities of Ken Young, the PO deputy chairman, when he retires at the end of this year.

Richard Dykes, a 47-year-old ex-civil servant who joined the PO in 1986 and is currently director of operations of Post Office Counters, becomes acting deputy managing director of that company. He will be responsible for its day-to-day management and will report to Roberts on major issues.

Meanwhile, 43-year-old Malcolm Kitchener, Parcelforce's financial director, seems to have made the right move when he quit Fisons and joined the public sector 18 months ago. He becomes Parcelforce's acting managing director. However, unlike his predecessor he has not been given a seat on the PO board.

FT LAW REPORTS

Digest of Trinity term

In re a company No. 0013734 of 1991
(FT, June 3)

THE REINSURED was in liquidation, having been ordered to be wound up by the Supreme Court of Bermuda, which also approved the manner whereby the valuation of the insurance claims against it had been carried out. The claims had not been settled but were calculated following an actuarial valuation of the underlying contingent claims against the reinsured.

In the present proceedings, the reinsured claimed $122,244 against the reinsurer company which argued that no liability to pay had arisen and that the petition against it should be struck out because the debt on which it was based was disputed in good faith and on substantial grounds.

Were it a simple matter of construction and the only issue was whether settled (albeit not actually paid) claims fell within the terms of the reinsurance contracts, the present court would have refused to strike out the petition. However, in granting the petition, Mr Roger Kaye QC (sitting as a deputy judge of the division) stated that it was not the only issue in the case.

There were other factors which might have a bearing on the construction of the reinsurance contracts. Those factors raised serious and complex issues which were not appropriate to resolve on an interlocutory motion or on the hearing of a winding-up petition.

The Mercers Co v New Hampshire Insurance Co
(FT, June 4)

MERCERS CLAIMED against New Hampshire for monies allegedly due under an advance payment bond of £4.5m to Rush & Tompkins Ltd in respect of a building contract. Rush & Tompkins had commenced the works although Mercers had given possession of the site four weeks late. Thereafter Rush and Tompkins had gone into receivership and the contract automatically terminated.

At first instance, Mr Justice Phillips held that New Hampshire was under no liability under the bond; dismissed Mercers' claim; and ordered repayment of New Hampshire's interim payment of £1m. Mercers contended that the bond was simply a promise to pay a specific sum on a contingency which had happened and that the document could not be construed as a performance guarantee.

Accepting that argument, the Court of Appeal stated that the plain purpose of the document was to ensure that if Rush & Tompkins did not earn the amount of the advance payment, both Rush & Tompkins and New Hampshire should be jointly and severally liable to Mercers for the balance. Moreover, postponement of the date on which possession of the site had been given by Mercers did not affect New Hampshire's liability.

Regina v Kansal
(FT, June 5)

THE COURT of Appeal, in dismissing Mr Kansal's appeal against convictions under the Theft Act 1968 and the Insolvency Act 1986, stated that privilege from self-incrimination was abrogated in bankruptcy proceedings by Rule 6.175 of the Insolvency Rules. That rule provided that "(1) The bankrupt shall ... answer all such questions as the court may put ... (5) The written record may in any proceedings (whether under the Act or otherwise) be used as evidence against the bankrupt ...".

Mr Kansal made a statement under the Insolvency Rules which was ruled admissible in his Crown court trial on the theft charges. Under the Theft Act, section 31, a person was not excused on the ground of self-incrimination from answering questions in proceedings for the recovery of property but that no statement made was then admissible evidence against him. Section 433 of the Insolvency Act, on the other hand, made evidence given under the Insolvency Rules admissible in any proceedings.

The appeal court accepted the contention of the Crown that section 433 was concerned with admissibility of a special class of document derived from an insolvency in "any proceedings" – whether or not under the Insolvency or the Theft acts. Its terms were clear, unambiguous and unequivocal, and were not subject to any exceptions, so that section 31 of the Theft Act was not capable of protecting the defendant in such a case.

TOSG Trust Fund Ltd v Girozentrale und Bank der Oesterreichischen Sparkassen Aktiengesellschaft and others
(FT, June 10)

THE PLAINTIFF sought a declaration that it was not liable to repay to the defendant banks a bonded sum which had been applied by TOSG in accordance with its powers.

TOSG was a company set up by the Tour Operators Study Group (an association of UK travel and tour operators), the primary purpose of which was to administer bonding arrangements made for the protection of customers in the event of failure. A bond for £63.2m had been issued by the banks in favour of TOSG, the subject matter of which was the potential failure of ILG Travel Ltd, a TOSG member.

The bonded sum, Mr Justice Hobhouse stated, was not a fund in which the banks had reserved any proprietary right or which was impressed with any trust. On the facts before the court, TOSG was in a position to show that, subject to a small margin, the sum it spent on *intra vires* functions would fully absorb the sum paid by the banks together with accrued interest. Although TOSG had also spent money *ultra vires* there was no automatic liability accrued to make an equivalent payment to the banks. That argument would depend on an earmarked fund which was not applicable in the present case.

Barclays Bank plc v O'Brien
(FT, June 11)

THE ISSUE in the instant case had arisen when a married woman pledged the matrimonial home as a second charge to the bank for her husband's debts, after having failed to take independent advice and not having the transaction fully explained to her.

Allowing an appeal against an order that the bank could enforce the mortgage document, the Court of Appeal stated that in certain cases, equity would hold the security given by the surety to be unenforceable by the creditor if: (1) the relationship between the debtor and the surety and the consequent likelihood of influence and reliance was known to the creditor; (2) the surety's consent to the transaction was procured by undue influence or material misrepresentation on the debtor's part, and the surety lacked adequate understanding of the nature and effect of the transaction; or (3) the creditor failed to take reasonable steps to try and ensure that the surety entered into the transaction with adequate understanding of its nature and effect and that the surety's consent was true and informed. In particular, equity was still concerned to protect the position of married women and to treat them differently from other third parties who provided security for the debts of others.

MS Fashions Ltd and others v Bank of Credit and Commerce International SA
(FT, June 12)

SINCE 1980 the two companies had been customers of BCCI and had borrowing and overdraft facilities. Each company had given a debenture to BCCI, and cross-guaranteed the other's debt. In addition, security for the companies' debts was given by S and his brother by a charge of property, so that the effect was to render each of the four parties as included within the relationship of "the principal debtor" so that all were jointly liable.

On its winding-up BCCI claimed a comprehensive demand of £600,000 against each of the potential debtors for the total indebtedness owed by the two companies. There was no defence available save under rule 4.90 of the Insolvency Rules 1986 which provided that where, before a company went into liquidation, there had been mutual debts between it and a creditor claiming to prove in the liquidation, "the sums due from one party shall be set off against the sums due from the other". S had some £300,000 on deposit with BCCI.

The Court of Appeal stated that rule 4.90 could not properly operate unless it operated in reduction of the debt owing to BCCI at date of liquidation. All that was left for BCCI, therefore, whether against the principal debtors or the sureties, was the balance of the original debt, viz. a sum of £300,000.

Aviva Golden

Summer Festivals/**Max Loppert**

Vadstena

VADSTENA IS a tiny town on the eastern shore of Lake Vättern in the middle of southern Sweden. It is historically rich – St Bridget lived and died there (her relics are in the cathedral), and the magnificent castle built by Gustav Vasa in the 16th century houses some of the country's most important archives. It is unspoilt, peaceful, ravishingly beautiful.

Since a room in Vasa's castle was the scene of some of the earliest opera performances ever put on in Sweden, the town's connections with the medium are historically intriguing. But recently, they have been revived with peculiar and notable success: the International Vadstena Academy, founded in 1964 by Ingrid Maria Rappe, the singing teacher, has developed an international reputation as one of the most valuable of all summer-school forcing-grounds for young operatic talent.

The roll-call of Swedish singers who have passed through on the way to wider fame is itself an impressive testimonial (Britt-Marie Aruhn, Helena Döse, Marianne Häggander, Anita Soldh, Anne Sofie von Otter, Thomas Sunnegardh, Thomas Lander, Hillevi Martinpelto etc.). The producer Goran Järvefelt took early steps here; Arnold Ostman, Sweden's leading "period" practitioner, served as artistic director from 1969 to 1982.

The Academy is a finishing school (lessons and masterclasses forming the backbone of the pedagogical schedule) but by no means just that: as the programme book proudly proclaims, it was set up "for the purpose of studying and performing both newly composed music dramas and early operas". Most years there is a world premiere; every year there is a rarity from the byways of the Baroque, Classical or Romantic repertory, researched with care and often edited "in house".

The mixture of new and old, theory and practice, past and present is obviously an unending source of stimulus. Standards are remarkably high. Seeing that Rodney Milnes and Paul Driver have previously proclaimed on this page the virtues and pleasures of the Vadstena experience, I must not build up my visit there last weekend into a feat of uncharted exploration, or pretend that the excellence of the single performance I encountered came without warning.

This year's schedule consists of a revival of last year's Vadstena premiere, *Thine is the Kingdom* by Jonas Forsell, and two *Tempest* operas (both given in Swedish translation) – *Prospero's Dream*, a new pasticcio using extant numbers by Purcell, and *Die Geisterinsel*, J. F. Reichardt's *Singspiel* of 1798. I saw the Reichardt, and confidently count it one of the most arresting evenings on my 1992 operatic calendar.

As a re-discovery it was revelatory (not least because in the standard textbooks *Die Geisterinsel* is treated to the most cursory dismissal); as a production played by a student orchestra and sung by several first-timers on stage it was astonishing – physically free and agile, joyfully fresh and imaginative, with a spirit-lifting sense of dramatic and musical wonder.

Gotter's libretto for *Die Geisterinsel* was admired by Goethe (who had earlier collaborated with Reichardt on *Claudine von Villa Bella*) but reputedly turned down by Mozart. Shakespeare is only a base; the narrative, which includes non-singing parts for Sycorax and the spirit Maja, is at once simplified and enriched with the supernatural.

Reichardt's three acts provides a vital missing link between *The Magic Flute* and the Romantic energies and excitements of Cherubini, Beethoven, Schubert and Weber. For a while it is the similarities, influences, period traits that hold the attention; then the sturdy individuality of Reichardt's stagecraft makes its mark. Up to now Reichardt's name has cropped up as a composer of Lieder; his ability to drop delightful song-phrases of folk-like innocence into long, grandly constructed act-finales (very well sustained by the conductor B. Tommy Andersson) was therefore no surprise.

In a room entirely without stage platform or machinery, Asa Melldahl's staging had of necessity to create magic through the simplest of devices – smoke, lights, comic tricks of burlesque linege (and sometimes hilarious vulgarity: Caliban, a flasher in a dirty mac, had us all in fits). The flavour of *Peter Pan* that she had infused into the text drew a charm out of the piece that chimed ideally well with the capacities of the young cast.

Staffan Galli (Fernando) and Karin Ingebäck (Miranda) in "Die Geisterinsel"

Among them I predict a particularly bright future for the smooth, wide-ranging bass-baritone Lars Arvidsson (Caliban), the sweet yet glittering lyric soprano Karin Ingebäck (Miranda), the personable and hugely promising tenor Staffan Galli (Fernando), and the two high sopranos Kristin Aabel (Ariel on a bicycle) and Annika Hassel (Fabio, Fernando's page). Spoken dialogue was here no trial-by-recitation, as young English performers too often allow it to be. The fluency of the performance made the three acts and three hours whizz by.

* * *

Sweden's most famous summer festival, at the Drottningholm Court Theatre outside Stockholm, has reached a turning-point. Arnold Ostman's decade as director has just ended; next year Elsabeth Söderström takes over. Rumours of change – notably the non-renewal of the "period" instrumentalists' contracts – are already flying about. Meanwhile, Ostman's final show in this most glorious and perfectly preserved of 18th century theatres was a typical piece of adventurousness: Gluck's *Orfeo* in its 1769 Parma edition, never before revived.

The crucial point about this version is that, whereas the hero of 1762 original was an alto castrato, and that of the 1774 Paris re-working a tenor, Gluck's Parma Orpheus was a soprano castrato. Moved up to soprano pitch, his great, grief-stricken outpourings take on an entirely different character – they convey a new vulnerability, are charged with a new intensity. The performance itself, weakly cast, brainlessly staged (with unwanted set-changes added to almost every scene) and conducted by Ostman in rather fancy, soft-grained fashion, was disappointing. But the value of the re-discovery has nevertheless been proved beyond argument.

Ballet/**Clement Crisp**

Coppélia

WE LOVE *Coppélia* for the marvel of Delibes' score; for the sweetness of the pastoral world it evokes; for a cunning mixture of classic solos with dashing folk dance; above all, for a sense of happy rightness – as in the best folk tales – to its story. And, whatever else may change, *Coppélia* proposes certain rules of dance behaviour that have a joyous certainty. Some ballet companies ignore it – to their own, and their audiences' loss. Some ballerinas look down on it, as not offering sufficient challenge to whatever gifts they may believe they possess.

Wise artists, great artists – like the glorious Alexandra Danilova – have known that Swanilda is a marvellous role, as rewarding as it is taxing in style and step. We love *Coppélia* , too, because of its mysteries. Under its lightness and peasant merriment, something serious is happening. Indeed, two very serious themes are the armature of its action: we see a girl and a boy learning about true love and learning to love each other; and we see real tragedy in the failure of Coppélius' wild alchemical dreams of creating life.

English National Ballet is playing *Coppélia* this week on the South Bank. Ronald Hynd, as producer, has loved the ballet from his schooldays. Like him, I fell under the spell of Pamela May, that most adorable and elegant Swanilda, and of Fonteyn, then of Nerina and Beriosova, and of Annette Page and Maryon Lane, and how many other apprentice ballerinas whose debuts were at one time so delightful a feature of Saturday matinees.

Hynd's staging is rooted in our best *Coppélia*, and therein is its security. Yet I do not think that ENB's cast on Monday night were as convinced as I was of the importance of the task on hand. The national dances lacked brio, and for anyone reared on the score as it sounded when Constant Lambert used to treasure every phrase, and spark every rhythm into life, the orchestral peformance was sober-sided. Renata Calderini was a Swanilda more conscientious than witty, but Jose Manuel Carreno has the charm – and the luscious physical prowess – that are exactly right for Frantz. I liked, too, Philippa Arrona's Coppélius, who may dodder, but whose sincerity as the supposed doll comes to life was as genuinely moving as Delibes' score at this most touching moment in the ballet.

* * *

There is an exhibition on the South Bank which ballet-lovers should not miss. Leslie Hurrys's designs for Robert Helpmann's 1942 *Hamlet* remain among the greatest decorations ever made for ballet in this country. All the costume designs – thrilling in their imaginative intensity as in their command of detail – are on view in the Olivier foyer of the Royal National Theatre until September 6. The vivid life of the ballet, as of Hurry's astonishing sensibility to its drama, blazes with undiminished force. It is a tremendous display of design mastery – and was Hurry's first commission for the theatre.

English National Ballet presents *Coppélia* all this week at the Royal Festival Hall.

Television/**Patricia Morison**

A mixed crop from the garden gurus

GARDENING on TV makes perfect sense on a winter's night, but what about summer evenings, when most gardeners want to be outside just as long as the light holds? Pricking out, dead-heading, taking cuttings, catching the groundsel before it seeds itself – there is a terrifying amount to do. Or you may relent and simply sit, sniffing the phloxes as you plan the autumn bulb-order.

Measured against pleasure of such a high order, any summertime gardening programme has to offer its audience something quite special. At least, it must do if it is to lure the keen, critically-minded gardener indoors. There are, of course, plenty of couch-potato viewers who switch to gardening simply because it offers pretty colours and a soothing break from the sweaty exertions of the Olympics.

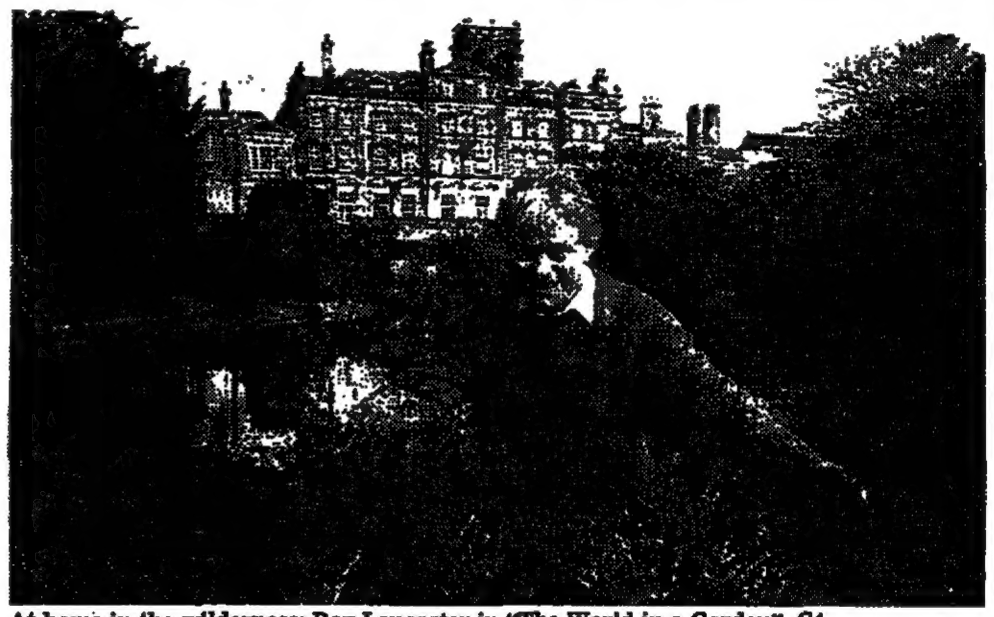
I have been inspecting this summer's crop of horticultural programmes, and find it extremely mixed. One hardy perennial has been with us for almost 20 years and yet I had never watched it before. *Gardener's World* (BBC 2, Friday) is magnificent. Presented by Geoffrey Hamilton and Liz Rigby, it is completely *straight*, without any of the tiresome gimmickry programme-makers so often use to jazz up what they imagine might otherwise be tediously or frighteningly technical.

Expert talks to expert and to us in a natural, unforced way. The audience is a large one, fluctuating between 3m and more than over 4m, and the assumption is that it consists of keen gardeners who thirst to do it better.

Far from being fazed by Latin names, they will have pen and paper poised to note down *Papaver nudicaule* "Constance Finnis" as it is flashed on to the screen. Where do you find this delectable poppy? Geoff airily refers viewers to their copies of *The Plant Finder*, the gazetteer of plants and specialist nurseries which has become something like a badge of the serious-minded gardener.

You would have to be a very good gardener indeed not to pick up something from most episodes of *Gardener's World* – even if it is only quibbling with Adrian Bloom's choice of plants which look well grown beside hostas. Good taste, and not just know-how, is part of the *Gardener's World* philosophy. Over its long run, this programme must surely have had a considerable impact on standards of gardening.

Quite stiff competition on Channel 4 comes from *The Garden Club*, a relative newcomer which will be starting a new run on August 28. Some 3m watched it last year, and there is an actual club with 8,000 members and a newsletter. Principal presenter is Roy Lancaster, the distinguished horticulturalist and plant-collector, and each programme takes one region and focuses on a varied selection of club-members' gardens – problematic gardens, perhaps, needing a spot of advice from Roy, but well and interestingly gardened all the same.



At home in the wilderness: Roy Lancaster in "The World in a Garden", C4

The format works beautifully because, as every gardener knows, people love to chat about what they grow. "My garden means everything to me", confessed one lady in a windswept Shropshire garden which was not my taste at all but was thoroughly admirable in its own way. Compared with *Gardener's World*, this more democratic format is more likely to unearth gardeners with idiosyncratic ideas, in particular splendid money-saving dodges dreamed up by cost-conscious OAPs.

The two-parter, *Le Manoir* (C4), has to be one of the most fatuous programmes of the year. Recession has clobbered garden designers – and not before time given how perfectly awful your run-of-the-mill designer is. So garden designer Alan Mason must have been unable to believe his luck when someone decided it was worth making a film of how he "created an English garden" at the medieval manor-house plus eight acre garden he bought in Brittany for £100,0000.

Six months was all it took to create what Alan intended as a shop-window for his talents, the French having recently developed quite a taste for *le jardin Anglais*. But the problem was, Alan's garden looked so utterly dismal at the end of this period that one cannot imagine any self-respecting French gardener would cross the road to visit it, except perhaps to jeer.

Of course, the idea was completely misconceived. No garden created from scratch looks like much inside four years, two if you really go for broke with big shrubs and trees. Alan's trusty student helpers had created the bare bones, with a vast lawn and a lake with bubbling ooze and a large population of frogs. Some nasty colour combinations – lavateras, geums, and red potentillas – showed Alan had achieved instant colour only at the expense of colour sense.

Presumably whoever had this bright idea was no gardener, and was dismayed by the highly unphotogenic result. Why else did programme two shift tack so abruptly, turning into a glorified Breton estate-agents's advertisement to lure ever more garden-designers and restaurateurs to expatriate while there are still barns, railway-stations and schoolrooms crying out to be chintzified – and given English gardens?

However, garden making on TV can be quite interesting, given a spectacular garden and a sensible time-frame. *The World in a Garden* (C4, Wednesday), is a four-part series recording the National Trust's expensive restoration programme at Biddulph Grange, Staffordshire.

The most monstrous, astonishing mid-Victorian garden to have survived, Biddulph Grange is a fascinating place. Roy Lancaster does a typically good job of presenting the different aspects of this project, historical, botanical, and horticultural. Now and then there is tricksy camera work and the music is absurd. One of the better moments showed the Trust's advisers (oddly, everyone involved in the project is male) locked in heated argument over which "authentic" colour to paint the pagoda. I always suspected the business of analysing paint-scrapes was bogus.

The Mother Tongue

IN THE geography of London theatre, there is an outer triangle of Richmond, Islington and Greenwich, visits to any of which seldom let you down completely. In a decentralised London, these are the places where the best theatre would lie, and sometimes does. But we are not quite there yet, as the new production at Greenwich shows.

The Mother Tongue is written by Alan Franks, a journalist on *The Times* who already has several plays beneath his belt and whose rating is high enough to have secured Prunella Scales for the main part. For about an hour one was inclined to give the piece the benefit of the doubt, and not only because of the slightly scatty and utterly characteristic performance by Ms Scales.

Franks has a good theme: the relationship between a mother who thinks she knows best and a daughter who thinks that she knows better, yet can never get her mother out of her hair. There are other family skeletons in the cupboard, and the bedroom.

The play starts as comedy. Here is that affectation of modern youth – never speaking properly if it is possible to avoid it. Ms Scales, as mother and grandmother, speaks immaculately, as she always does: "tea, scones" and what sounds like "sex", but turns out be "secs" for second helpings. Of the trend to let it all hang out, she observes: "Once it has all come out, it can be so very, very difficult to put it back again." The first half of *The Mother Tongue* is rather a witty play about the changing use of language.

The second half is darker and full of recriminations. The family has a history of steaming open each other's letters. There has been infidelity and kinkiness all round. As a child, daughter Harriet looked through the keyhole at her mother's performance in the bedroom. The widowed mother may have burned her own house in Kensington to collect the insurance money, only to find that the policy had not been renewed. In the end, there is no reconciliation between mother and daughter.

It is a pity that such a promising start should degenerate into such melodrama. The play contains lots of good lines and social observation, but becomes stuck between stage comedy and television soap. Gwen Taylor begins as an excellent Harriet, yet is hardly allowed to develop as a character. The rest of the cast, through no fault of their own, are pretty well stooges. There is a very detailed set, designed by Simon Higlett, of the house where Harriet lives, but its function is more to fill up the stage than to add to the play.

In short, this is not quite the tops, but it is useful to have Greenwich to try it out and to draw such a cast. It is worth seeing, but not crossing London for. Direction is by Richard Cottrell.

Greenwich Theatre 081-858-7755.

Malcolm Rutherford

INTERNATIONAL ARTS GUIDE

ATHENS

ATHENS FESTIVAL

Euripides' The Trojan Women can be seen at the Odeon of Herodes Atticus on Fri and Sat in a production by the National Theatre of Greece. Next week: Shakespeare's Otello (322 1459)

EPIDAURUS FESTIVAL

The annual festival of ancient drama in the 14,000-seat amphitheatre at Epidaurus has performances of plays by Sophocles, Euripides, Aeschylus and Aristophanes on most weekends throughout the summer. This week's performances (Fri and Sat) feature Aeschylus' Prometheus Bound, in a production by Amphitheatre Spyros Evangelatos. Next week: Aristophanes' The Frogs. Performances begin at 21.00.

Tickets are available daily at the Athens Festival box office (322 1459), or at the theatre of Epidaurus every Thurs, Fri and Sat (0753-22006)

FRANKFURT

FRANKFURT FESTIVAL

The theme of this year's festival at the Alte Oper is Falling Frontiers – Frontier Lines. The festival opens on Aug 15 with the first of two concert performances of La fanciulla del West, with Gwyneth Jones. Helmuth Rilling conducts Handel's oratorio Saul on Aug 18, and Lorin Maazel conducts the Pittsburgh Symphony Orchestra in Mahler's Second Symphony (Aug 20) and a concert performance of Porgy and Bess (Aug 21). Karlheinz Stockhausen directs the Ensemble Modern in a series of concerts of his own music, and there will also be a John Cage retrospective. Other visitors include Alfred Brendel, Krzysztof Penderecki, the Cleveland Quartet, the Dresden Staatskapelle with Sinopoli, the Vienna Philharmonic, London Symphony and Bolshoy Theatre orchestras. The festival ends on Sep 27 (1340 400)

LONDON

DANCE

Covent Garden 19.30 Natalia Makarova's Royal Ballet production of La Bayadère, with Viviana Durante (also Fri with Fiona Chadwick). Tomorrow and Sat: Kenneth MacMillan's production of Romeo and Juliet (071-240 1066)

Royal Festival Hall 19.30 Ronald Hynd's English National Ballet production of Coppélia, daily till Sat. Next week: Romeo and Juliet choreographed by Frederick Ashton. Aug 17-20: tribute to Fokine (071-928 8800)

MUSIC

Barbican 19.30 Arturo Sandoval plays classical trumpet concertos with the London Symphony Orchestra in the first half, before switching styles and joining his own band for virtuoso jazz in the second half. Tomorrow: Stéphane Grappelli. Fri: Barbara Cook in concert. Sat and Sun: highlights from West Side Story (071-638 8891)

Royal Albert Hall 19.00 Jerzy Maksymiuk conducts the BBC Scottish Symphony Orchestra in symphonies by Haydn and Tchaikovsky, plus Stravinsky's Violin Concerto with Leonidas Kavakos (Maksymiuk conducts an alternative programme tomorrow). At 22.00, Tamas Vasary directs the Bournemouth Sinfonietta in a 75-minute late-evening concert of music by Mozart, Chopin, Kodaly and Honegger (071-823 9998)

NEW YORK

MUSIC

Avery Fisher Hall 20.00 Neeme Järvi conducts Mostly Mozart Festival Orchestra, with soloists Augustin Dumay and Maria Joao Pires. Tomorrow: I Musici de Montreal play Mozart and Boccherini. Fri and Sat: Alicia de Larrocha plays Mozart's Piano Concerto No 22. Mon: Beaux Arts Trio. Next Tues and Wed: Emanuel Ax plays Mozart (875 5030). Next week in Alice Tully Hall: concert performances of Mozart's Mitridate, La finta semplice and Il re pastore (CenterCharge721 6500)

Alice Tully Hall 20.00 Blue Clarinet Stomp: the music of Morton and Dodds. An evening of classical jazz with Wynton Marsalis, Todd Williams and others. Tomorrow: Duke Ellington and the Ladies. Fri: an evening of Jazz and Tap. Sat: an evening with McCoy Tyner (CenterCharge 721 6500)

New York State Theater 20.00 City Opera production of Nash, Schmidt and Jones' musical 110 in the Shade, also Sat. Tomorrow: La bohème. Fri: Carmen. Next Tues: Rigoletto (870 5570)

THEATRE

- The Real Inspector Hound and The Fifteen Minute Hamlet: Roundabout Theatre Company presents a double bill of comedies by Tom Stoppard. Simon Jones and David Healy star in both (Criterion Center, Broadway at 45th St, 869 8400).
- Red Diaper Baby: Josh Kornbluth's one-man show (Actors' Playhouse, 100 Seventh Ave, 691 6226).
- Jake's Women: Alan Alda stars in Neil Simon's play about an ageing writer trying to come to terms with the women in his life, past and present (Neil Simon, 250 West 52nd St, 307 4100).
- Conversations with My Father: Herb Gardner's bittersweet memory play about a Lower East Side bar-keeper, his two sons and the patrons of his tavern (Royale, 242 West 45th St, 239 6200).
- Ticketmaster answers inquiries and sells tickets for Broadway shows (307 4100) and rock/pop concerts (307 7171)

PRAGUE

A summer season of concerts has been organised in the city's historic buildings and gardens. Tonight's concert in the Wallenstein Garden is given by the Giovani Virtuosi da Camera, playing works by Dvořák, Suk and Dittersdorf. The Kocian Quartet gives recitals tomorrow in the South Garden of Prague Castle and on Sat in the Lobkovic Palais of Prague Castle. Next Mon: classical guitar recital by Giovanni Grano.

Advance booking at the Smetana Hall (u Prasne brany 2, 232 5858).

- For pre-booking and information about other events, contact city centre ticket agencies (Bohemia, Na Prikope 16, 228738, or Melantrich, Wenceslas Square 38 in the passage, 228714)

VIENNA

OPERA

The Kammeroper presents its production of Don Giovanni every Wed, Fri and Sat till Aug 15 in the Imperial Gardens of Schönbrunn Palace, with a cast headed by Danish baritone Boje Skovhus. Performances begin at 20.30 (512 0100). The new season at the Vienna State Opera begins on Sep 1 (5131 513)

CONCERTS

Trio Fontenay plays works by Haydn, Fauré and Schumann tonight at 20.00 at Schönbrunn. *Tomorrow in the Konzerthaus:* Katia Ricciarelli and Paata Burchuladze sing Italian opera arias with the Budapest Philharmonic.

Fri at Schönbrunn: Artis Quartet plays works by Mozart, Ravel and Smetana. Sat in Arkadenhof: Vienna Sinfonietta plays works by Suppé and the Strauss family. Sun in Konzerthaus: Michael Gielen conducts Mahler (Wiener Musiksommer 4000 8410)

ZURICH

KYBURGIADE

A four-day festival of chamber music opens tomorrow at Schloss Kyburg near Winterthur, focusing on music composed by Beethoven, Schubert and Mendelssohn in the years 1824-9. Tomorrow's opening programme is played by Heinrich Schiff and the Hagen Quartet. On Fri, violist Wendy Champney joins the Vogler Quartet. On Sat in the Stadthaussaal Winterthur, baritone Wolfgang Holzmair sings Lieder in a programme also featuring the Carmina Quartet. There is a Sun morning matinee of trios in the Statdhaussaal, and an evening performance in the Schlosshof by the Carmina Quartet and clarinettist Paul Meyer (Booking though Musikhaus Jecklin in Zurich, tel 261 7733)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0830-0900 (Mon) FT East Europe Report – weekly indepth analysis from FTTV
2130-2200 (Tues) Media Europe – what's new in European media business
2130-2200 (Wed) FT Business Weekly – global business report with James Bellini
0830-0900 (Thurs) Media Europa
2130-2200 (Thurs) FT Eastern Europe Report
0830-0900 (Fri) FT Business Weekly

Sky News
0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

SATURDAY

CNN
0900-0930 World Business This Week - a joint FT/CNN production
1900-1930 World Business This Week

Super Channel
1930-2000 FT Eastern Europe Report

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1800-1830 FT Business Weekly

Sky News
1330-1400, 2030-2100 FT Business Weekly

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Wednesday August 5 1992

Peace-making at the UN

SOMETHING has gone badly wrong at the United Nations. Just when it ought to be more capable of concerted action to make and keep the peace than ever before, the organisation presents a sorry spectacle: wracked by petty squabbling, starved of funds, and confused about priorities.

Mr Boutros Boutros Ghali, the secretary-general, accuses western members of the security council of hypocrisy, parsimony and worse; western governments respond with leaks aimed at undermining him. The row could seriously debilitate the body that was supposed to have found new vigour and unity after the Cold War.

Mr Boutros Ghali's frustration – however undiplomatically expressed – is understandable. He is being criticised by Security Council members for poorly handling a predicament that is not his creation but theirs. It is, after all, largely at the behest of western governments that the UN is being asked to confront an expanding range of tasks; the same western governments are simultaneously refusing to give the organisation the requisite resources or political backing. Instead of trying to shoot the messenger, they should remind themselves of the solemn commitments they made only six months ago at UN headquarters.

At the suggestion of Mr John Major, the UK prime minister, 15 world leaders gathered for the first Security Council summit. They renewed their pledge to respect and implement the principles of the UN Charter. And they asked Mr Boutros Ghali to report on how the organisation's role in preventing and ending conflicts could be enhanced.

'Peace agenda'

The result, produced in June, was "an agenda for peace" – an ambitious document calling for an intensification of preventive diplomacy; the deployment of peace-keeping forces to pre-empt potential inter- or intra-state conflicts; the use of so-called "peace-enforcement units" when conflicts occur; and the creation of a rapid reaction force of troops from member states on which the secretary-general could call at short notice.

The world's latest convulsions have underlined the need for ambition on this scale. But the UN is sorely over-stretched already, with member states owing it $1.75bn in overdue contributions for peace-keeping and other activities; it says it will have to cease operations at the end of the year if it does not receive a speedy injection of cash. The lion's share of the arrears is the responsibility of one country: the US.

In a sense, the conflict is a natural outgrowth of this mismatch between ambitions and means. But it also exposes the contradictions between the grandiose rhetoric of the UN Charter and the inevitable national instincts of its signatories. The secretary-general is trying to turn the UN into a real force for peace-keeping and peace-making with a coherent, internationalist agenda; as Mr Boutros Ghali sees it, the leading paymasters are continuing to pursue their own interests and leaving the UN to sweep up the mess.

Humanitarian tragedy

The flashpoint has been the civil war in Bosnia-Hercegovina. When the European Community negotiated what it thought was a ceasefire and then asked the UN to monitor its implementation, Mr Boutros Ghali's patience broke. Regional organisations, he expostulated, should be at the service of the UN, not the other way round. And in any case, why was the world worrying so much about Yugoslavia while ignoring the arguably much worse humanitarian tragedy in Somalia?

In principle, Mr Boutros Ghali is right to press this point. The UN will be irrevocably damaged if it comes to be seen as preoccupied only with the concerns of the rich countries.

At the same time, the secretary-general would stand a better chance of success in his campaign if he adopted a subtler approach. The UN is seldom short of rhetoric and not often over-blessed with forceful diplomatic skills based upon a realistic assessment of what is possible. In the longer term, changes in the composition of the Security Council might make the task of balancing disparate demands on the UN easier. But no secretary-general will escape the need for a close and effective working relationship with the UN's paymasters.

A surfeit of quick fixes

WITH THE British economy in an increasingly desperate state, the government finds itself besieged by interest groups with handy nostrums to help promote economic recovery. Foremost among the would-be helpers are the banks and building societies, which want to see tax reliefs to alleviate the problems of homeowners whose mortgages exceed the value of their houses. The temptation to deploy taxpayers' money in this particular direction should nonetheless be firmly resisted. There are better ways of dealing with problem at hand.

At first sight the case advanced by the banks and building societies is not wholly implausible. Consumer confidence has proved more fragile than expected since the election, which in part reflects the continuing decline in house prices and the low volume of housing transactions.

There has been a powerful negative wealth effect since the market peaked in 1988; and the resulting dampener on market expectations has been reinforced by the phenomenon of negative equity, whereby homeowners cannot sell their houses without having to make a repayment to the building societies. The natural way out of this debt trap is to spend less and save more. Yet the last thing the economy needs, now that the household savings ratio is a nearly three times its level when the economy was overheating, is an outbreak of Victorian values.

Lower rates

The obvious response to the debt overhang in housing is a sharp reduction in short-term interest rates. Yet the government's monetary policy is in the hands of the Germans, who can safely be relied on to deliver too little, too late, to satisfy Britain's domestic requirements. In the meantime membership of the exchange rate mechanism has contributed to a continuing decline in the inflation rate. But this merely makes the problem worse, because with nominal interest rates stable and inflation going down, real rates of interest are rising. Over the past two years the real rate on mortgage debt, after allowing for movements in house prices, has been running at a punitive 15-20 per cent.

So far, the government's response to this situation has been to hold the line, hoping that eventually something will turn up to spur economic growth. An event which might change everything is a 'no' vote in September's French referendum on Maastricht. That would be a potentially lethal blow to monetary union (among other things); and should the government feel by then that the pursuit of disinflationary gains is outweighed by other factors, it might conceivably be ready to contemplate a different approach.

Housing subsidies

Should the French decline to use the referendum to pass a vote of no confidence in Mr Mitterrand, new housing subsidies might appear more tempting to hard-pressed ministers searching desperately for 'green shoots'. Yet it is hard to see that tax subsidies for loss-making homeowners would do the trick. For a start, tax relief for losses on the sale of the home would not become available in time to help repay the building society in full. Assuming that some further nostrum could be cooked up to bridge this financing gap, there is a risk that the resulting wave of sales might actually cause house prices to fall further – scarcely the way to mitigate the pain in the period before German interest rates finally come down.

The only plausible case for expensive subsidies to loss-making homeowners would arise if the banking system were on the brink of a financial crisis. Yet the banks and building societies are not, as yet, seriously threatened, largely because so much of the losses in housing have been borne by the insurance sector.

If the government is to increase its already huge subsidies to housing, it would do better to acknowledge that the economy is suffering from an excessive level of homeownership and accelerate the revival of the private rented sector. It should eliminate the tax discrimination against private landlords, for example by exempting them from capital gains tax, while directing more money towards badly needed social housing. Creating yet more subsidies for homeowners is an idea whose time should not be allowed to come.

Reformers and industrialists are heading for a showdown over the direction of economic policy, writes **John Lloyd**

The quagmire of Russian reform

Mr Arkady Volsky, head of the Union of Industrialists and Entrepreneurs, is widely seen as the most powerful man in Russia after President Boris Yeltsin. That position lends an ominous tone to his gloomy assessment of the country's political and economic outlook. "The policy of the reform government is about collapse," he said yesterday. "The attempt to reach the market in one jump is utopia."

Mr Volsky was articulating the complaints of managers who have a finger on the productive pulse of the economy. After a period of growing restlessness, his statement yesterday may mark the beginning of a showdown between the radical reformers and the country's industrialists.

Mr Volsky has stepped up his criticism of the government at a time when a series of interconnected dilemmas are confronting the Russian authorities. The economy continues to weaken and the impoverishment of the Russian people is worsening; the political tone of the country grows harsher; and foreign assistance is becoming more uncertain.

The danger inherent in the current malaise is not so much of total economic collapse or the sudden seizure of state power by reactionaries. Instead, the continuing economic and political setbacks, which have delayed both marketisation and democratisation, threaten regional security and prolong the impoverishment and hopelessness of millions. The stakes are high enough for us to take Russia's dilemmas seriously.

The most urgent issues fall into closely intertwined, categories: first, the economy's performance is worse than forecast. Exports, at just over $12bn for the first five months of the year, are down one-third on the same period last year, against a forecast 20 per cent drop. Imports, at around the same figure, are now heavily skewed towards grain – at the expense of vitally needed parts and equipment.

Oil production, which accounts for 67 per cent of hard currency exports, continues to fall. Output in Russia fell 13 per cent in the first half of this year, and it is unlikely to pick up in the second six months. Last month, a group of government experts predicted that the production level might fall to about 228m tonnes by 1995, less than half of last year's level of 460m tonnes.

The expected level of this year's grain harvest – between 92m and 96m tonnes – is not encouraging. Part of the problem is that collective and state farms, no longer the obedient satraps of the state, are withholding grain, while demanding higher prices. The likely price the government will have to pay is currently estimated at about Rbs10,000 a tonne, not too far away from the world market price of Rbs15,000 to Rbs16,000 a tonne. The poor harvest will mean that the price of a loaf of bread could quadruple. Consumers have already been hit with a tenfold rise in bread prices over the last year. The question is, will the public tolerate another huge price increase? Pessimists believe the answer is no.

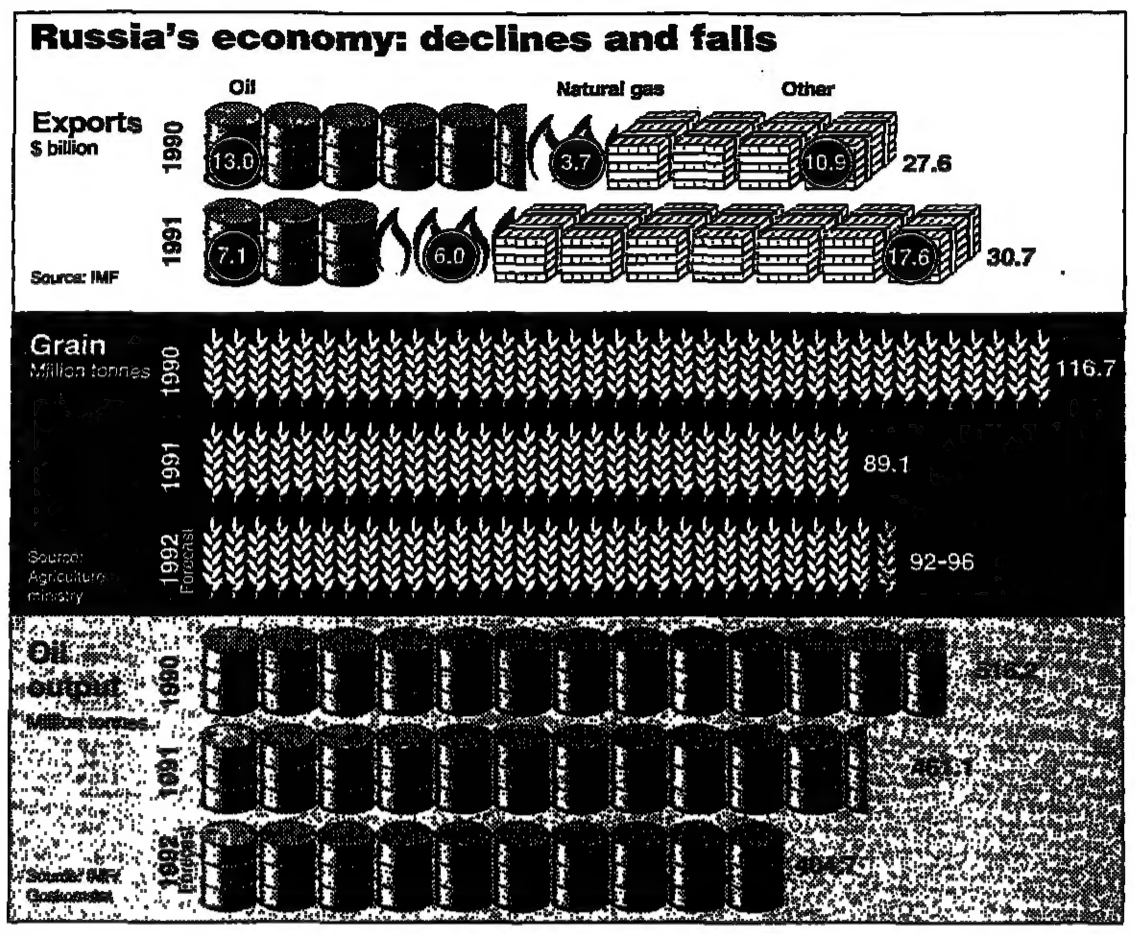
The decline in oil and grain production is a bitter pill for the reform government of Mr Yegor Gaidar, the prime minister who still has "acting" in front of his title. Since the beginning of the year, Mr Gaidar and his colleagues have worked seven days a week, 18 hours a day, to try to pull the economy out of its structural decline.

Mr Gaidar's team has enjoyed some success: the liberalisation of most prices; the removal of restrictions on foreign trade, the beginnings of privatisation; the strengthening of the fledgling market processes initiated before their accession to office. Further, a growing core of entrepreneurs and profit-oriented managers has been established. This group may help to sustain the process of economic reform and bring Russia into the mainstream of the world economy.

The Gaidar team has not run into a wall, but it appears to have waded into a marsh, which grows steadily deeper and stickier the more it attempts to plough on.

Put simply, Mr Gaidar's team is being forced to make ever more costly compromises to forces which can be called, conveniently, the "industrial lobby" – that is, the managers and bureaucrats who struggle to keep production going in the face of tight credit, high interest rates and the fraying links between enterprises. Relations between enterprises have deteriorated because of barriers to trade among the former Soviet republics and big drops in orders.

These enterprises have top-level representation in Mr Volsky's Union of Industrialists. Mr Volsky is a clever political operative who has transformed himself from executive in the Soviet Central Committee under successive general secretaries in the 1980s to the chief representative of big business in the post-Soviet era. Three of his supporters from within industry are now in senior positions in the Russian cabinet, and more are expected to be appointed. With their "industrial experience", they are seen as a counterbalance to the cabinet's "theoreticians", which dominate the Gaidar team.



Mr Volsky has also been the moving force behind the creation of the Civic Union, which groups together his own "Renewal" party, the Democratic Party (the largest in the country in membership) and the Free Russia Party, led by Gen Alexander Rutskoi, the Russian vice-president. This diverse group – which Mr Anatoly Sobchak, the mayor of Saint Petersburg, is joining – is the largest political bloc in the country, and its partners all have different, and perhaps incompatible, agendas. However, it shares a determination to stop radical market reform and replace it with one or other version of managed change, with the management often more evident than the change.

On top of this, a new, hard-edged political mood has become evident in the country, even among many politicians who were once radical democrats with a Western orientation. This mood was best expressed recently by Mr Sergei Stankevich, a state counsellor and presidential adviser, who called a press conference to denounce as a "liberal dream" the rapid transformation to a market economy. Instead he called for a strong central state as the indispensable element of controlled reform and national revival.

Inter-republican relationships have got better, but not much. Ceasefires are holding in two of the "hot spots" – in South Ossetia and (less surely) in the Trans-Dnestr area of Moldova. Earlier this week, Mr Yeltsin agreed to postpone the division of the Black Sea fleet by proposing a joint control with Ukraine for three years.

However, a solution to the question of the removal of Russian troops from the Baltics is still no nearer. In Estonia, Russian and Estonian military exchanged fire at the end of last month in Tallinn, the capital, and relations remain very tense. Difficulties also persist in Russia's relations with Ukraine, despite the agreement on the Black Sea fleet. There has been a sharp drop in Russian supplies to Ukraine, especially of oil. No agreement has been reached on the introduction of the Ukrainian currency, and sputtering quarrels over control of the Crimea continue. These tensions have further hardened the tone of Russian political life.

To cap this, the role of a so-far shadowy body, the Security Council, is now increasing. It was created by Mr Yeltsin to deal with security issues, and includes in its membership Gen Rutskoi and Mr Gaidar. Under Mr Yuri Skokov, its powerful secretary, the council is extending its range. Recently it sharply criticised Mr Andrei Kozyrev, the foreign minister, for warning of a coup. More importantly it has decided to review the progress of privatisation, according to report quoting Gen Rutskoi. This is hardly an issue thought to require a large security input.

The west, with its store of financial assistance and technical aid, has proved less a counterweight to these trends than was expected. Indeed, Russia – and to a lesser extent the other former Soviet republics – often experience the rich foreign powers not as givers of assistance but as demanders of recompense – the repayment of the $70bn-$80bn hard currency debt, and from Japan, the return of the four Kurile Islands. In the short term, it is impossible for Russia to satisfy either of these demands. The country does not have the sufficient funds even to pay the interest on its debt. In regard to the disputed islands, political resistance to their return is so great that it would probably be suicidal for the government to do so.

The International Monetary Fund has managed to win approval of $1bn in aid for Russia, to be formally ratified by its board in the next few days. However the conditions attached to the aid package – a budget deficit no higher than 5 per cent of GNP and a 9 per cent monthly inflation target by the end of the year – are almost certainly unattainable. That means that the more substantial standby agreement with the IMF is in serious doubt.

Even worse, the IMF has not been able to strike up a close relationship with its Russian interlocuters, who see it as nit-picking and unhelpful. The IMF, meanwhile, sees the Russian authorities as untrustworthy and dismissive.

The World Bank, which is developing programmes of technical and agricultural aid, is hampered in its lending by lack of a substantive agreement with the IMF (though a $1.7bn package will go ahead, with the first tranche to be agreed this week).

Adding to its problems, Russia is no longer a central concern for the west. Japan is frank in its refusal to assist substantially before a deal on the Kuriles. Germany is consumed with the difficulties of integrating the east. Britain, Canada, France and Italy are too weak economically to take a leadership role. The US, the natural leader, has an administration focused on its re-election prospects and a Congress which still has not given authorisation to the main Russian aid package.

It is an overstatement to say that Russia is now on its own, especially since commercial interest continues to grow. However, at such a crucial time, foreign governments appear to be pre-occupied elsewhere.

The anniversary of the August putsch is in three weeks. It will be celebrated with pomp and rhetoric. Beneath the surface, however, the darker forces that were unleashed by the celebrated victory over the reactionaries are becoming increasing evident.

Bumpy transition for a lord of the City

Bronwen Maddox looks at what life holds for Lord Stevens after his departure from Invesco MIM

"When I cross a bridge, I cross it," says Lord Stevens of Ludgate. He is the first to remark that last week's boardroom upheaval at Invesco MIM, the fund management group, brings a radical change in his life.

He will stay as MIM's chairman until next spring but has given up executive responsibilities immediately. In effect this marks the end of his 30-year career in the City.

The MIM shake-up – which came as little surprise to its directors – follows a troubled period in which MIM found it hard to attract new UK clients. A widespread perception that Lord Stevens had been close to the late Mr Robert Maxwell did not help. Lord Stevens says he had suggested taking a less prominent role six months earlier, but "this isn't the smooth transition I wish had happened".

"I don't regret leaving the City, though I do regret leaving some of the people," he says. "The City's not fun any more," he adds, blaming recession and regulation – although he hastens to say that he does not disapprove of the increase in regulation that followed the Financial Services Act of 1986.

His departure leaves him, now 56, still chairing two other businesses: United Newspapers, publisher of the Daily Express, and Alexander Proudfoot, one of Europe's leading management consultancies.

After years of juggling his three roles – 60 per cent of his time on United News, 30 per cent on MIM and 10 per cent on Proudfoot, he reckons – he now plans to spend more time at his two newer careers. Neither offers a trouble-free ride.

Proudfoot may present the most pressing demands. Its shares have fallen by 40 per cent in the past month following the sudden departure of its chief executive and the downgrading of profits estimates by brokers. Specialising in factory-floor advice on improving production, Proudfoot had appeared to weather recession well until early this year.

Two recent overseas acquisitions – in management training and strategy – will now take the group a step closer to the heartland of rivals such as Bain and McKinsey. To help the integration of the new acquisitions Lord Stevens plans to visit Proudfoot's offices in Brussels, Stockholm and Palm Beach in the next few months.

> **'Maxwell was shifty, but he never double-crossed me. If he double-crossed others it was because they're wimps'**

He says that he loves the business. "A lot of consultancies don't get their hands dirty and Proudfoot does."

More widely known is the combative pleasure Lord Stevens takes in chairing United Newspapers. "If I hadn't taken over the newspapers, you'd still be calling me David," he said at one City presentation, leaving at least one hereditary peer and several fund managers spluttering.

A provocative joke, given that the board of United Newspapers has few City fans: the share price of 392p is stubbornly at the same level as five years ago, stalled by the group's high debt and the slump in advertising.

This year circulation and advertising have begun to pick up and industry observers estimate that pre-tax profits will be slightly ahead of last year's £85.2m. But the cash-flow will be eaten up by interest payments on the £400m debt, by capital spending of about £25m a year and by the generous dividend of £42m which has supported the shares.

Lord Stevens says that raising finance to buy small European titles should still be possible, although his ambitions have clearly been scaled down since the group's mid-1980s acquisitions of Fleet Holdings, former Express owner, and Extel, the financial services group.

If some of the excitement has diminished since then, however, so have the threats; a hostile takeover became less likely two months ago when Mr Conrad Black, proprietor of the Daily Telegraph, sold his 9 per cent stake.

Lord Stevens says he is at United to stay. "I became chairman 11 years ago and at some stage people have to realise I do know something about the business."

One of the few remaining thorns is the question of the depth of his relationship with Maxwell. The latter held stakes in Fleet and Extel before United Newspapers took over those companies; he also held a stake in Britannia Arrow, the fund management group, before it merged with MIM; and he underwrote £20m of Proudfoot's launch on the stock market.

Critics have suggested that Maxwell's involvement in these deals, which were crucial to the development of Lord Stevens's businesses, points to a close relationship between the two.

Lord Stevens argues that the relationship went no further than conventional business deals, and that it was possible to negotiate with Maxwell in a straightforward manner. "OK, Maxwell was shifty, but he never double-crossed me. If he double-crossed others it was because they're wimps. I liked him."

He is adamant that the connection did not run deep: "My diary says we met on only 17 occasions since 1985." He points, too, to the fact that he refused to let Maxwell print the Express, "because when it came down to it, I never trusted him".

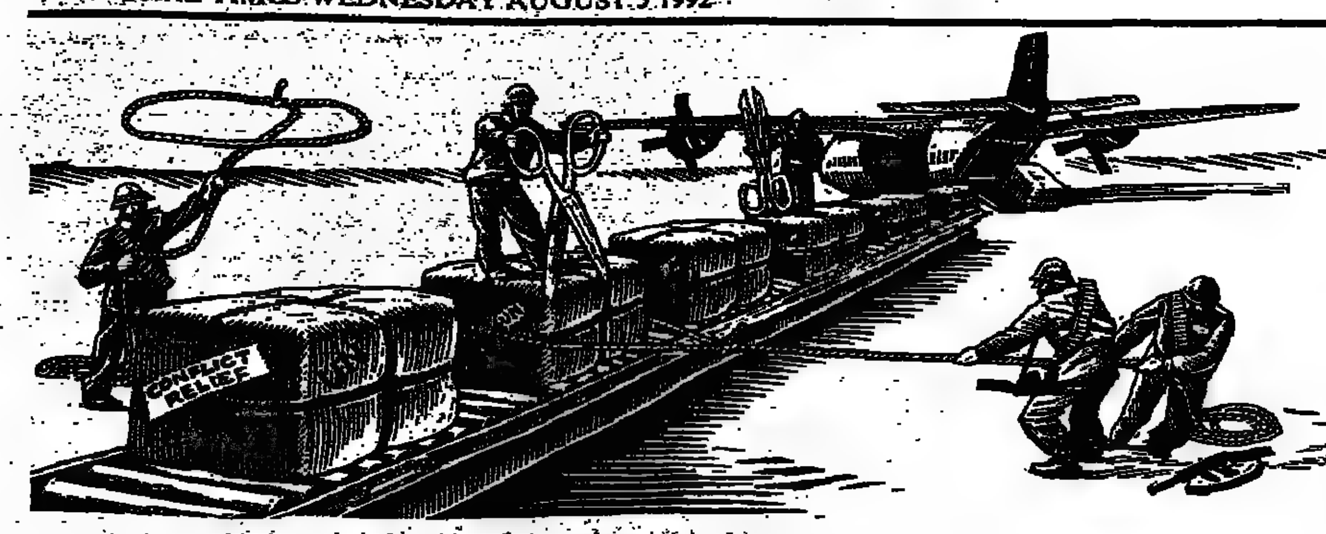
He clearly feels that the public preoccupation with Maxwell was partly responsible for his departure from MIM. "Since Maxwell, everyone associates the combination of publishing and fund management with skulduggery and I knew that wasn't going to go away."

Aside from fending off speculation about the extent of his relationship with Maxwell – which is likely to rumble on for years – will United and Proudfoot be enough to keep Lord Stevens occupied?

His second wife, who died three years ago, suggested in her book, Woman as Chameleon, that wives adopt a different personality each day to keep their husbands entertained. Lord Stevens denies that he has needed three chairmanships to keep his life full. "Some people do, but I don't. I'm getting older. My wife died. I remarried. I want an easier life," he says.

Then he adds: "There are other things I want to do with my life – perhaps politics." That answer is made less surprising by a recent speech in the House of Lords on the responsibilities of the press. Perhaps because of his own sensitivity to press comment on his links with Maxwell, he says: "I don't like the way the press goes for people who have fallen on hard times."

He adds quickly: "I'm not sure yet exactly what I want to do. But there comes a time when you want to think about something else. Well, I'm thinking."



Edward Mortimer

How to contain conflict

FOREIGN AFFAIRS

Peacekeeping is much more than a matter of manning a line between two opposing armies

Last week I tried to suggest ways of preventing conflicts of the Croat and Bosnian type elsewhere in Europe, especially by giving early attention to the problems of national minorities. The premise was that conflict prevention failed in those two countries. It has also failed in Nagorno-Karabakh, appears to be failing in Moldova, and will almost inevitably fail in other places soon.

This week I shall concentrate on ways of containing and ending conflicts. At a conference last week on "conflict in the states of central Europe and the former USSR", sponsored by the Austrian government and the International Peace Academy, an Austrian diplomat helped me by dividing the necessary measures into four time-scales:

- immediate humanitarian ones to help the victims;
- short-term ones to contain the conflict and bring about an effective ceasefire;
- medium-term ones to consolidate the ceasefire, creating the minimum of confidence and communication needed for a political settlement; and
- long-term "peace-building".

Even in the first stage, military forces may be involved, whether to secure "safe zones" or havens for refugees, or to protect airports and convoys so that supplies can reach civilians. But the crucial need, illustrated by the confusion which prevailed in Turkey and Iran in the early stages of last year's Kurdish crisis, is for one international agency to be given the leading role, with responsibility for co-ordinating everyone else's contributions; and for that agency to work openly rather than secretively, so that everyone else knows what is happening. In Yugoslavia this role is being played, effectively, by the UN High Commissioner for Refugees.

As far as possible local resources should be used. Recently, public works ministers from *all* the ex-Yugoslav republics attended a meeting in Vienna, and said they had human resources at their disposal but not financial ones. They claimed that, given even one per cent of the cost of the UN protection force (Unprofor), they could set up more effective aid programmes of their own.

The caveat here, of course, is that local humanitarian organisations, however sincere, are seldom completely separate from the parties to a conflict and often closely identified with them. International monitoring is needed to ensure supplies are fairly distributed and not manipulated for political ends.

That can best be done by a UN liaison office on the spot, something even more necessary for the second task, of containing hostilities and working for their suspension. This task has to be carried on simultaneously with the first, even though it may take longer to have any tangible effect.

The biggest difficulty, amply illustrated in Yugoslavia, is that one may have to "take sides" by identifying the party most responsible for prolonging the fighting or violating ceasefires, and to bring pressure on it to stop; whereas peacekeepers on the spot – engaged in fact-finding missions, negotiating ceasefire terms, or monitoring compliance – can only operate effectively if accepted by all sides as impartial. There needs to be a clear distinction between peacekeepers and those involved in any kind of punitive action, even if at the top level both should be co-ordinated by some kind of "conflict management unit".

One aspect of conflict management often neglected is information and public opinion, both in the conflict zone itself and in third countries trying to help resolve it.

Fear and hatred between communities are constantly nourished by one-sided atrocity stories; often totally contradictory statements of fact are published and believed on opposite sides. Sometimes the media of third countries in turn fall victim to such one-sided accounts. The Austrian and German media have portrayed the Yugoslav conflict in much starker black and white than those of most other countries. Without resorting to control of the media, governments and international organisations seeking to contain the conflict should make efforts to publicise a balanced account of the facts.

Accurate and credible information is also central to the next task, that of peacekeeping proper, which comes after a ceasefire is in force. The essence of peacekeeping is confidence building: to enable each side to desist from hostilities without fearing that it will thereby expose itself to hostile action by the other. The more confidence peacekeeping forces can create, the more durable the ceasefire is likely to be.

Peacekeeping will not in the long run be considered successful if the peacekeepers become a permanent feature of the landscape

But in an increasing number of cases – Yugoslavia is certainly one – this is not simply a matter of manning a line between two opposing armies. Unprofor's mandate in Croatia requires it to ensure that the "protected areas" are demilitarised, "through the withdrawal or disbandment of all armed forces in them", to "monitor the functioning of the local police there to help ensure non-discrimination and the protection of human rights", and to "facilitate the return, in conditions of safety and security, of civilian displaced persons to their homes".

This means that successful peacekeeping has to include tight control of all weapons coming into the area, and of existing arms depots within it (likely to be an acute concern for peacekeepers operating in ex-Soviet territory); disbandment of irregular forces, or at least their incorporation into recognised armies with a clear chain of command; and collection or decommissioning of unauthorised weapons, especially those of a "destabilising" nature, such as hand-held surface-to-air missiles. Peacekeeping forces will often have to exercise police powers, to search for weapons, arrest malefactors, and prevent the intimidation of civilians.

All this requires significant resources – and they have to be available at short notice. In the Yugoslav case the UN Security Council was lamentably slow in making up its mind to put in a peacekeeping force, and when it did so it authorised a force so small that it could only have carried out its mandate on "best case" assumptions. Needless to say these were not fulfilled, and the secretary-general was soon back asking for more.

But peacekeeping will not in the long run be considered successful if the peacekeepers become a permanent feature of the landscape, which cannot be removed for fear of precipitating a resumption of the conflict – as has happened in Cyprus and south Lebanon. So it has to be accompanied by peacemaking and "peace-building", defined respectively by the UN secretary-general as "action to bring hostile parties to agreement" and "action to identify and support structures which will tend to strengthen and solidify peace".

These long-term efforts take us back into the realm of conflict prevention, since their object is to prevent backsliding into violence once it has stopped. But they have to confront the additional thorny question of how far peace requires the reversal of changes (especially population movements) brought about by violence, and how far, on the contrary, it requires their acceptance.

In principle, everyone supports the former proposition: it is unthinkable to "reward the aggressor". In practice, as Greek Cypriots and Palestinians have both been obliged to recognise, negotiated settlements generally involve the weaker party accepting a *fait accompli*, in part if not in whole.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Attitude to Cadbury clarified

From Mr E M Sandland.

Sir, The article "Cadbury proposals prove unpalatable" (August 3) contains a reference to the Institutional Shareholders' Committee's position which might give a misleading impression of the warmth with which the ISC welcomes the draft Cadbury report.

At its June 17 meeting the ISC council agreed that a press release showing the ISC's general support for the work of the Cadbury Committee should be issued. However, it is important to understand that the ISC is an umbrella body whose members are the associations representing the different groupings of UK institutional investors – the insurance companies, the pension funds, the unit trusts, the investment trusts and the asset management arms of the merchant banks. Each ISC member felt this important subject deserved detailed debate within its own membership, and separate responses have been prepared and delivered to the Cadbury Committee.

In the circumstances the ISC's press release could not have been couched in other than general terms. Its apparent failure in the eyes of your commentator to provide a "ringing endorsement" should not be taken to indicate that the ISC is less than warm in its support.

E M Sandland,
chairman,
Institutional Shareholders' Committee,
51 Gresham Street,
London EC2V 7HQ

Moral philosophy that should not be forgotten

From Mr Aubrey Jones.

Sir, You are quite right to remind us that Adam Smith was a moral philosopher as well as an economist ("Ethics and worse", July 31). Indeed, his economics was secondary to his moral philosophy.

This is clearly seen in this quotation from the Wealth of Nations: "Every man, so *long as he does not violate the laws of justice*, is left perfectly free to pursue his own interest in his own way" (italics mine).

Similarly the expression "laissez-faire", as used by the French physiocrats, was subordinate to the idea of a divine plan which could be discovered by human reason; "laissez-faire" meant that, when this moral order had been found, no hindrance should be placed in its way.

What seems to have happened is that, in the long transition from medieval Christendom to modern secularism, the origins of many of the ideas that marked that transition have become forgotten.

Dixons, in donating to the London Business School a chair in business ethics, deserve our thanks for reminding us whence we have come.

Aubrey Jones,
"Arnen",
120 Limmer Lane,
Felpham,
Bognor Regis, West Sussex

Subsidies have been forgotten by energy users

From Mr David Porter.

Sir, Major energy users say that they are paying too much for their electricity and this means that they cannot compete with their rivals in the EC ("Large users step up demand for lower electricity prices", July 29).

These industrialists do not say that before electricity privatisation in 1990 their electricity was subsidised by the state, and that they enjoyed further subsidies until March 1991. Neither do they admit that what industry calls "high prices" are only a fraction of what domestic consumers pay.

One solution is that they should make their own electricity. Many of our members would be pleased to build them energy-efficient power stations. They could then be quite certain that they were paying the right price for their power.

They might prefer an electricity subsidy, but wouldn't it be much better if the new EC president could persuade our competitors to get rid of theirs?

David Porter,
chief executive,
Association of Independent Electricity Producers,
Herodsfoot,
Liskeard, Cornwall

Investors' dilemma

From Mr Edmond Jackson.

Sir, Peter Morgan (Letters, July 31) unintentionally nails the dilemma for investors who wish to act responsibly.

Clearly, a unitary board is essential for corporate efficiency, and thereby shareholder value.

But if investors have no say at all in the running of a company, their only option on detecting problems is to sell out. Instead of nipping them early, mistakes grow long hair until chronic decline sets in, or a crisis means expensive action by lawyers and accountants – paid for by shareholders, of course. Investors are capable of exercising vigilance – especially when their own money is at stake. But it is no use if, as often at company annual meetings, boards can simply ignore their views ad lib.

There were sceptics on Maxwell and Polly Peck, but what teeth did they have to stop the rot before it was too late?

Edmond Jackson,
Chenies,
Butlers Dene Road,
Woldingham,
Surrey CR3 7HH

Cure for a malaise

From K D Reed.

Sir, None of Barry Riley's listed drugs (The Long View, August 1) has produced a cure for the current national malaise of *Meddlomania*. This wasting disease is easily diagnosed from cries in the media of "Do something, no matter what" at times of economic stress emitted by opposition and panicking politicians and failing businessmen.

The old fashioned remedy of *hard work and cold showers* is seldom tried for long enough, but when used with conviction it can produce strengthening of the system and an improvement in efficiency that provides the necessary competitiveness. Unfortunately, fashionable Freudian tendencies always to blame a third party have caused this simple remedy to be omitted from later editions of the *British Economicapae*.

K D Reed,
16 Ashcroft,
Shalford,
Guildford GU4 8JT

Saturation in satellite market

From Mr James W Beaumont.

Sir, Having spent more than 11 years at MBB making satellites, among others Intelsat VI, I feel your article "Europe's satellite makers are knocked out of orbit" (July 31) leaves a great deal to be desired. MBB has made the solar panels for almost all of the Intelsat satellites made by Hughes & Ford. British Aerospace has also been a very large contributor, because the UK was number two financial contributor to Intelsat, after the US.

The simple truth is that the satellite market is reaching saturation and the US, funded by the American debt, has built a gigantic satellite capability which is desperately seeking new markets. I suggest that the US manufacturers will be steeped in red in the not too distant future.

James W Beaumont,
Brunnwartsweg 1,
W8022 Grünwald,
Germany

The struggle to alleviate plight of the Somalis

From Baroness Chalker.

Sir, Sadly there is very little with which I could disagree in Julian Ozanne's description ("Desperate famine stalks the forgotten Somalis", July 28) of the desperate and harrowing conditions in Somalia.

Numerous similar reports can leave us in no doubt that a human tragedy is unfolding on a scale never before seen in that country.

I must make it clear, however, that Britain has not forgotten Somalia. The government is deeply concerned about what is happening there. For months, we have been in the forefront of efforts to alleviate the suffering. None of this has received very much attention in the media.

We have been among the first to respond to needs as new possibilities for delivery have opened up. In January, I announced a gift of 14,000 tonnes of food aid via the Red Cross; in May, we provided a further 5,000 tonnes of food through the UN World Food Programme; earlier this month, I allocated £2.5m to the Red Cross for its country-wide relief activities.

We have given all possible support to British aid agencies which continue their heroic work inside Somalia, in spite of the enormous difficulties and danger. In June, I responded immediately to the UN's appeal on behalf of refugees, predominantly Somalis, in Kenya, with a grant of £1m. We gave a further £50,000 for the Somali boat refugees arriving in the Yemen within days of their plight becoming known.

Since the present crisis began in early 1991, we have provided almost £15m for Somalis in need. I expect to provide more in the months ahead. Our record is a far cry from the near-indifference of which you accuse the west in your leading article, "Time to interfere" (July 29).

The tragedy we are witnessing in Somalia is highly complex and there are no easy solutions. Until peace and stability return, helping the hungry and dying will be enormously difficult.

Somalia remains for us an acute priority in a highly troubled region, the Horn of Africa, which continues to absorb the lion's share of the humanitarian aid resources available to us; some £155m since the present crisis began in late 1990.

Lynda Chalker,
minister for overseas development,
94 Victoria Street,
London SW1E 5JL

OBSERVER

Clearing out the bankers

■ What a shambles. The revolving door at the top of NatWest continues to spin faster than most in London's accident-prone securities industry. Yesterday, Sir Geoffrey Littler and John Drury, who little more than a year ago were appointed chairman and chief executive of NatWest Investment Bank, the parent of County NatWest, headed for the exit.

Their departure may have been inevitable following the reorganisation earlier this year which saw first Derek Wanless, and then Martin Owen, clearing bankers through and through, put in charge of a new corporate octopus called NatWest Markets. Even so it means that this side of the business must have had half a dozen chiefs in as many years.

Whereas there were supposed to be three senior managing directors under NatWest Markets new chief executive Martin Owen, Drury's departure means that there is now only one, Roger Byatt, another career clearing banker. The lower orders seem equally confused. Presumably, the gaps will soon be plugged but given the recent record it would be surprising if it did not result in a fresh twirl of the door from the executive dining rooms.

Soldiering on

■ In all the comings and goings at NatWest it is easy to forget that dear old Tom Frost, who was replaced as NatWest's chief executive by young Derek Wanless only four months ago, still works there.

While all the Blue Arrow prosecutions have been halted, Frost, who has never been charged with any offence, is still centrally involved in the DTI's ongoing investigation into the affairs of the National Westminster Bank. Both Frost and NatWest vehemently deny any suggestion of a cover-up, but Frost still decided to withdraw to the sidelines as a deputy chairman to give himself time to present his case.

Since he is only a year away from retirement, the outcome has no bearing on his future career. But his decision to relinquish the reins will look more like noble self-sacrifice if his bank is exonerated.

Condomania

■ At long last, conclusive (well, almost) evidence that advertising works.

The UK government's national television and press advertising campaigns to persuade people of the dangers of the HIV virus and Aids and the virtues of using condoms is one of the key factors behind the doubling of condom sales since 1987, according to research carried out by Mintel International.

This year some 155m condoms, with a retail value of £43m, are likely to be sold in the UK, with the market set to grow substantially in the next few years.

Mintel suggests that the "embarrassment factor" is also fast disappearing; evidence is that mail order sales have declined from 3 to 2 per cent of total sales.

Foxed

■ The arrival of Robin Woodhead as the new boss of commodity futures market London FOX rmoves one possible contender for the really big exchange management job still going – that of chief executive of Liffe when Michael Jenkins retires.

Liffe had hoped to name its candidate by now – but apparently the favourite, who comes from outside the derivatives industry, has suddenly become indispensable to his present employer.

At least this shows that Liffe is definitely seeking fresh blood, rather than settling for an insider – of whom there are two reasonably competent candidates. Another name mentioned – regulator Phillip Thorpe, who has been the caretaker at FOX – seems never to have been seriously in the running.

It sounds as if Liffe has gone back to the drawing board, and Jenkins, who has promised he will continue until the right person is found, is in there for a while yet.

"Perhaps we shouldn't have eaten the 'For sale' sign"

K-9 Hall

■ Among the many suggestions for the future use of London's redundant County Hall, its advantages as a police dog training centre have not received much attention.

However, Observer can disclose that many of London's 389 police dogs have honed their skills sniffing the secrets of the old GLC power house.

The London Residuary Body – charged with selling the site – says that there have been police dog classes in former GLC buildings for a long time. However, since County Hall is now the only empty GLC building, it follows that most police dog classes are held there.

Interesting to see whether the London School of Economics will permit the classes to continue if it buys County Hall. No doubt it could charge extra if it provided the dogs with a few stroppy students to practice on.

Not so sweet

■ Stock markets have no sense of romance. Word late on Monday that Swiss chocolate king Rudolph Sprüngli had remarried at 72 sent shares of the family-controlled firm, Lindt & Sprüngli, plunging yesterday.

Sprüngli had not been above panicking himself when various accusations had surfaced about the business ambitions of his bride-to-be 44-year-old Alexandra Gantenbein, who belongs to an obscure American religious sect called "I am". The marriage was off, Sprüngli called in accountants KPMG Fides to conduct an investigation, the marriage was back on, and the couple were secretly wed last Friday.

Sadly, the market remains unconvinced that all is now sweetness and light. By the end of yesterday, the bearer shares of Lindt & Sprüngli stood at SwFr 11,000 on the Zurich exchange, down 9.1 per cent on Monday's close, and at their low for the year.

Abandon hope

■ Kenneth Tough is living up to his name. Her Majesty's Greffier in Guernsey has been taking a long hard look at the island's company register. Among the latest to be struck off – The Really Hopeful Investment Company.

FINANCIAL TIMES
Wednesday August 5 1992

The anguish of migration

Judy Dempsey explains how ethnic cleansing is taking place in Bosnia

IN THE north-west Bosnian city of Banja Luka, there is an institution called the "Centre for Migration". Since May, it has been sending out instructions to Serbian officials in towns and cities throughout Bosnia-Hercegovina. The instructions are always the same: make arrangements for the exchange of population.

It is run by Mr Vojo Kuprasanin, Mr Radoslav Brdjanin, Mr Radislav Vukic and Mr Predrag Radic. The four are leaders of the self-declared Serbian republic of Bosanska Krajina. They also support Bosnia's Serbian Democratic party, which is led by Mr Radovan Karadzic.

In June, Mr Kuprasanin, who has since established a martial law regime in Banja Luka, asked the Serb mayor of the central Bosnian city of Zenice for a population transfer involving 30,000 Moslems and Croats. They were to be sent from Banja Luka to Zenice in return for the Zenice authorities sending 30,000 Serbs to Banja Luka.

But such ad hoc rearrangements of Bosnia's ethnic make-up have been institutionalised, with the forced evacuation of tens of thousands of mostly Moslem civilians by Serbs and their confinement in detention centres, according to officials from the International Committee of the Red Cross. It was forced to leave Bosnia at the end of May following intimidation and the killing of one of its aid workers.

"There is one aim behind the Serb camps: ethnic cleansing," a senior US diplomat said. "Through their quest for territory, the Serbs, by placing the Moslems in camps, want eventually to expel the Moslem population and make parts of Bosnia ethnically homogenous."

Many witnesses who have fled to neighbouring Croatia and Hungary have repeatedly confirmed these views. Moslems make up 43 per cent of the 4.5m Bosnian population, Serbs 33 per cent and Croats 17 per cent.

Although the ICRC, human rights organisations and other international aid agencies have not been permitted to visit any of the camps, except the "model" Serb-controlled camp at Manaca, near Banja Luka, the Serbian media have begun openly to describe the ethnic cleansing.

The most recent issue of Epocha, a weekly magazine close to Serbia's ruling Socialist party, reported how Bosnia's Serbs now control large swathes of north Bosnia through ethnic cleansing: "This [region] is now cleared of Croats and Moslems...our army surrounds Moslem villages. If the Moslems do not raise the white flag on the minarets, we raze the villages to the ground. Serb villages will be built here."

IF Moslems were prepared to fly the white flag, they must be prepared for an exchange of population. "Those people not from mixed marriages can go to the territory controlled by [Bosnian president Alija] Izetbegovic, or go to Croatia. Those from mixed marriages who have not fired at Serbs, can choose to remain," wrote Mr Radonov.

The magazine boasted how in Kotor Varos, a town of 36,000 people east of Banja Luka, there were no longer ethnic minorities. Until recently, the town symbolised the ethnic patchwork of Bosnia: 38 per cent Serb; 30 per cent Moslem; 29 per cent Croat.

Those held in Serb camps, particularly those in Omarska, north-west of Banja Luka, or Pale, east of the Bosnian capital Sarajevo, the headquarters of Mr Karadzic, are sometimes freed in exchange for Serb snipers held by Bosnia's territorial forces. Witnesses have described how they have been forcibly transported out of the republic as refugees.

"These refugees cannot come back. The whole point about ethnic cleansing is that it prevents the local inhabitants from returning. Not just because they are afraid, but because they have nothing to return to. Their homes have been completely destroyed," a United Nations High Commissioner for Refugees said.

Few international relief agencies can confirm the number of Serb detention camps in Bosnia because they are not allowed to visit them, or it is too dangerous to travel to them.

Funeral attacked, Page 2
Softer style of cleansing, Page 2

S Africa protests enter critical phase

By Michael Holman in Johannesburg

Peak hour: The effect of the strike is illustrated at Soweto station as thousands stayed at home

SOUTH AFRICA'S week of protest enters its critical and most dangerous phase today when Mr Nelson Mandela leads a march on Union Buildings, the citadel of white authority in the heart of Pretoria.

For the next three days the focus shifts from the shop floors, target of the 48-hour general strike which ended yesterday. Although factories will still be the targets of sit-ins, much of the action will move to the streets of towns and cities, where the risk of confrontation with security forces is higher.

The African National Congress and its allies – the Communist party and the Congress of South African Trade Unions – expect a huge turnout for today's march through Pretoria's city centre to the Union Buildings, the seat of government. An equally enthusiastic response is predicted in Cape Town, where motorists were warned to avoid today's march from the black township of Langa to the city centre.

If the massive stayaway that marked the strike can be followed with a big turnout for these and other rallies, demonstrations and sit-ins that start today, Mr Mandela and his allies will have organised the most formidable protest against white rule the country has seen.

The days ahead, however, could also reveal the limitations of the ANC campaign, intended to force President F. W. de Klerk to accept a rapid transition to majority rule.

Professor Tom Lodge of Johannesburg's Witswatersrand university and an authority on black politics says: "The percentage of people who stayed at home does not tell us if they support the ANC alliance's cause, or if they would vote ANC in an election."

A strong response to the campaign would help provide the answer, as well as rebut allegations that the stayaway was due in great measure to intimidation.

But a weak turnout is susceptible to another explanation: the high price of protest. Although some workers reached agreements with employers to work extra shifts, or take the two days as holiday, most participants will have had their pay packets docked.

What is more, their jobs will be at risk, either because employers may take a tough line, or because the strike could prove the last straw for businesses battling to keep afloat in recession.

Such problems do not damp the enthusiasm of Mr Jay Naidoo, Cosatu general secretary. Jubilant over the outcome of the campaign's first day, he vowed to "continue the campaign of rolling mass action until the [alliance's] . . . demands are met". The next few days will indicate whether the energy is there for a protracted struggle.

Mandela to lead march, Page 5

Liquidators sue UK banks for £490m

By Andrew Jack, Robert Peston, Richard Donkin and Raymond Hughes in London

THE ROYAL Bank of Scotland is being sued for up to £418m ($798m) and National Westminster for more than £71m by the liquidators of a small banking group at the heart of an alleged fraud. The banking group, Wallace Smith Trust Company, was closed down last year by the Bank of England.

Neither bank has made provisions against any losses which may result from the legal action. The £418m claim against the Royal Bank is roughly equivalent to its full-year profits before provisions and its shares dropped 21p yesterday to 153p. NatWest's shares fell 4p to 320p.

The damages claims stem from allegations that substantial payments which should have been made to the Wallace Smith Trust Company were made by the banks to another company, Wallace Smith Holdings.

Wallace Smith Trust's liquidator, Mr Tim Hayward, head of corporate recovery at KPMG Peat Marwick, claims the payments were non-transferable and should not have been rerouted. The banks say the rerouting was properly authorised.

Mr Hayward has issued a writ against Royal Bank. NatWest has not yet received a writ though it expects to receive one.

Wallace Smith Trust was a banking and finance group closed down by the Bank of England in May last year. Wallace Smith Holdings was a general financial services company.

Mr Wallace Duncan Smith, a director of Wallace Smith Trust, has been charged with fraud exceeding $50m.

Mr Smith, 58 – Duncan to his friends – lives a wealthy though private lifestyle with an address in Chelsea, west London, and a property at Lyford Key, near Nassau in the Bahamas.

Born in Edmonton, Canada, he is described as a friendly family man who is said by business acquaintances to have firm political views. He is well known among the Bruges Group of anti-European federalists

Mr Smith was arrested in April last year and charged with fraudulent trading. His case was transferred from City of London magistrates court 12 months later, by which time he faced 15 charges. His trial has been fixed for February 1 at Knightsbridge Crown Court.

Royal Bank of Scotland said its writ claimed "damages in conversion" for 39 payments made between August 1989 and January 1991. Eleven of the payments originated from Deutsche Genossenschaftsbank and 28 from Bank of New York.

The bank said yesterday: "We deny liability and are going to vigorously contend these allegations."

Bad debt warning, Page 14

Goods for troops scam

Continued from Page 1

set up and liquidated. "We know who the 100 or so perpetrators are. They are people who were convicted of counterfeiting, illegal weapons sales and forgery of documents and art objects. There is no place left where they can escape", Mr Schmidt said.

Most are known to be in Berlin, but no arrests have been made so far because of the complexity of the company operations.

A recent parliamentary investigation in Moscow has claimed that the scandal extended into the top echelons of the former Soviet armed forces.

The DM3bn to pay for supplies for Soviet troops remaining temporarily in eastern Germany was part of a total of DM13.8bn which the German government had agreed to pay for supplies and housing for the returning Soviet officers.

The agreement was reached at the time of unification in 1990.

Fisher sale frees Monsanto

Continued from Page 1

Mr Filippello said Monsanto's efforts to concentrate on its core businesses of high-value chemicals, pharmaceuticals, agricultural chemicals and food ingredients "precluded the level of investment needed to allow Fisher to grow".

The group needs cash. The chemicals operations are suffering from the poor US economy. In addition, some of its strongest revenue earners are slowing. These include Roundup, Monsanto's herbicide and world's best-selling agrochemical, whose patents expired in the US and Europe last year.

Earnings from Nutrasweet, the artificial sweetener, are also set to decline. Last year it generated sales growth of only 2 per cent.

Wall Street reacted favourably to the news of the divestiture; the company's share price was marked $3¾ higher at $57⅛.

For the first six months of 1992, operating earnings at Fisher declined to $31m, from $51m in the first half of last year.

World Weather

		°C	°F			°C	°F			°C	°F
Ajaccio	S	29	84	Boulogne	F	19	66	Frankfurt	F	23	73
Algiers	S	33	91	Brussels	F	21	70	Geneva	F	25	77
Amsterdam	S	20	68	Budapest	S	34	93	Gibraltar	S	27	81
Athens	S	34	93	Buenos Aires	F	11	51	Glasgow	C	15	59
Bahrain	S	35	95	Cairo	S	33	91	Helsinki	C	18	64
Bangkok	R	31	88	Cape Town	C	17	63	Hong Kong	S	30	86
Barcelona	S	29	84	Caracas	F	27	81	Innsbruck	R	20	68
Beijing	S	30	86	Casablanca †	C	25	77	Inverness	C	15	59
Beirut	S	27	81	Chicago †	S	13	55	Islamabad	C	28	82
Belfast	R	16	61	Cologne	F	21	70	Istanbul	S	28	82
Belgrade	S	33	91	Copenhagen	F	20	68	Jakarta	F	32	90
Berlin	F	24	75	Corfu	S	33	91	Johannesburg	C	8	46
Biarritz	F	24	75	Dallas †	S	24	75	Lisbon	S	32	90
Bombay	T	25	77	Dublin	S	16	61	London	F	19	66
Bordeaux	F	23	73	Dubrovnik		–	–	Los Angeles †	S	21	70
				Edinburgh	F	17	63	Luxembourg	C	19	66
				Faro	S	30	86	Madeira	C	22	72
				Florence	S	31	88	Madrid	S	33	91

		°C	°F			°C	°F			°C	°F
Majorca	S	34	93	Oporto	S	24	75	Tenerife	S	25	77
Malaga	S	30	86	Oslo	F	18	64	Tokyo	C	23	73
Malta	S	31	88	Paris	F	22	72	Toronto †	F	13	55
Manila	C	33	91	Prague	F	23	73	Tunis	S	34	93
Melbourne	S	9	48	Reykjavik	F	11	52	Valencia	S	30	86
Mexico City	C	22	71	Rhodes	S	27	81	Venice	S	31	88
Miami †	S	27	81	Rio de Janeiro	F	22	71	Vienna	F	26	79
Milan	S	31	88	Rome	S	30	86	Warsaw	F	30	86
Montreal †	H	17	63	Salzburg	R	19	66	Washington †	F	22	72
Moscow	S	27	81	S Francisco †	S	13	55	Zurich	F	21	70
Munich	C	21	70	Seoul	S	30	86				
Nairobi	C	21	70	Singapore	F	30	86				
Naples	F	30	86	Stockholm	F	21	70				
Nassau	C	32	90	Strasbourg	F	24	75				
New Delhi				Sydney	C	14	57				
New York †	C	24	75	Taipei	F	34	93				
Nice	S	29	84	Tangier	S	33	91				
Nicosia	S	27	81	Tel Aviv	S	29	84				

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

THE LEX COLUMN

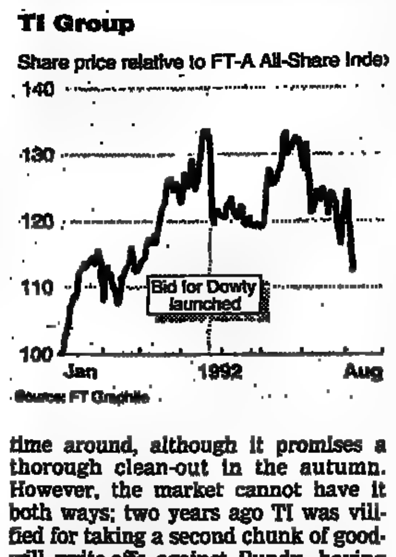
A Royal misfortune

It is difficult to resist a gasp of apprehension at the sheer size of the £418m claim against Royal Bank of Scotland from the liquidators of Wallace Smith Trust. The sum is not only broadly equivalent to a whole year's profit before provisions. It also amounts to a quarter of the bank's shareholders' funds.

Uncertainty about the suit will dog the bank for a long time. One can only guess at the outcome, but the chances are that Royal will not in the end have to write off the full amount. A further consolation is that the bank is well endowed with tier 1 capital under Bank for International Settlements rules. Its BIS ratio at the end of the last business year was nearly 7 per cent and it is currently adding new tier 1 capital through its $200m issue of non-cumulative preference shares in the US.

A more serious worry in the short run is the warning in the US issue documentation that provisions will exceed last year's £351m, a figure which was already 80 per cent up on the previous year. It looks as though the bank has been less than usually canny in its forays into English lending. Its admission is especially disconcerting after its encouraging noises at the interim stage. That alone would be enough to justify a large part of yesterday's 12 per cent fall in the shares.

FT-SE Index: 2407.5 (-12.7)



Source: FT Graphite

TI

The 10 per cent fall in TI's shares in response to yesterday's interim figures poses the question of whether it can reap the full benefit of Dowty without economic recovery. Some downward revision of Dowty's unaudited full-year figures was expected. It was clearly in the interests of the defending management to book profits as early as possible. Equally it is now in the interests of TI to leave room for earnings growth. The slightly disturbing factor is that it is not itself expecting such a recovery.

TI forecasts that the second-half contribution from Dowty will be no higher than the £13m turned in in the same period last year. The market had assumed the positive earnings trend reported by Dowty would be maintained under new ownership. Perhaps it was being näive, but the episode underlines how difficult it can be to value hostile bids in an uncertain trading environment.

TI itself is open to criticism for not revealing the full details of its post-acquisition valuation of Dowty this time around, although it promises a thorough clean-out in the autumn. However, the market cannot have it both ways; two years ago TI was vilified for taking a second chunk of goodwill write-offs against Bundy, having hurried through the initial provisions.

Against this background, the performance of the shares yesterday looks like a more basic rethink of TI's ability to ride out the recession. Excluding Dowty, the interim figures were at the lower end of expectations. On a prospective multiple of roughly 15 times, which the market generally accepted, the shares stood until yesterday at an expensive 11 per cent premium to the engineering sector and a 42 per cent premium to aerospace.

NatWest

The 109 per cent rise in National Westminster's first-half profits from last year's particularly depressed interim result is as much as the market could have expected. Bad debt provisions have fallen sharply in both the US and Australia. Costs are under control. Commission income is up, although not against last year's second half. Net interest income has registered only a modest fall, thanks partly to the bank's involvement in fixed rate lending. Although UK bad debt provisions have fallen only slightly since the second half of last year, a high charge was always likely, given National Westminster's high share of small business lending.

None of this means a strong recovery is secure. Operating income is likely to rise only modestly in spite of an increasing contribution from life insurance. Nor can one expect anything other than a modest fall in UK bad debts. It is thus hard to see why the shares have any special attraction. NatWest has outperformed Barclays by nearly 40 per cent since the start of the year. But since the latter has fallen harder it may now have further to recover. On the other hand NatWest cannot boast the same defensive qualities as Lloyds.

Kalon/Manders

The issues in a bid are seldom black and white, not even when the offer is from a white paint manufacturer in Yorkshire (emblem: white rose) for an English black country rival making ink. Yesterday's undeniably impressive 55 per cent advance in interim profits from Kalon does little harm to its cause – but there seems no escaping the conclusion that come the weekend or sooner the aggressor will have to sweeten its currently all-paper terms.

Kalon's management ability and recent share price and earnings records all look superior to those of Manders. But there is a legitimate question mark over how long Kalon will be able to sustain its juicy paint margins. The widening which took place in the first six months of this year is largely attributed to higher volumes in the own-label market and economies of scale. But, with the likes of B & Q and Texas engaged in a fierce price war, how long will it be before they expect their suppliers to suffer more of the pain? Kalon badly needs to swallow its prey to keep its profits momentum going, which is why Manders shareholders should hold out for a more attractive deal. In these markets, though, a token cash element might not be enough.

Housing market

Surely that is enough calls for decisive action to boost the UK housing market. A whopping cut in UK interest rates or massive government spending apart – two options which are clearly not on the agenda for the foreseeable future – it is hard to see what can be done at a stroke to underpin house prices and restore buyer confidence. Tired sounding, if headline-catching, schemes from the Great and the Good not only look narrowly self-serving. As yesterday's further round of jitters in the building materials sector illustrates, the rhetoric which accompanies them merely spreads further despondency.

FINANCIAL TIMES
COMPANIES & MARKETS
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INSIDE

RJR Nabisco names chief of new division

RJR Nabisco, the large US foods and tobacco group, yesterday formed a new international foods division and hired Mr Richard Thoman, a former top executive at American Express, as its president. The company said the recruitment of Mr Thoman to head Nabisco International was aimed at "underscoring this company's commitment in the international food arena". Page 15

Harland Simon sale approved

Harland Simon, the UK control systems company which has seen its market value collapse following unexpected losses and a qualified set of accounts, has gained approval from shareholders to sell Vickereys, its specialist blade and equipment maker, for £8.1m ($15.5m) to Thermo Fibertek of the US. Page 18

Fresh blow to wool industry

Australia's struggling wool industry was dealt another blow on Tuesday when South Australian police said they were investigating allegations of a substitution racket involving wool destined for export. The alleged fraud involves the substitution of poorer grades of wool for fine grades stored in a warehouse after sale. Meanwhile, the New Zealand Wool Board is warning its country's producers a surge in demand from China that did much to fuel last season's price recovery may not be maintained this year. Page 20

Spain's building shares weaken

Between 1987 and 1990, shares in Spain's big construction companies were probably the best measure of the country's unprecedented economic boom. But they are now a chillingly accurate barometer of the economy's rapid decline with shares in most of Spain's "Big Seven" quoted constructors falling more than 50 per cent since the beginning of the year. Back Page

Wall St sparkle dulls

If the US securities business was an Olympic sport, Wall Street's performance in the second quarter would warrant a silver medal. It was a good showing, but not quite up to the sparkling gold-medal display of the first quarter, when almost every major securities house reported record profits. Page 16

Outlook for engineering

The second instalment of an FT survey of six UK engineering companies confirms recent evidence from manufacturing industry on the outlook for the domestic market: things may not be worsening, but it is going to be a long haul to recovery. Page 19

Canadian Pacific falls to C$21m

Canadian Pacific, the diversified holding company, yesterday unveiled disappointing second quarter and first half results. Second quarter profits were C$21m (US$17.7m) against C$30.9m a year earlier, on revenues of C$2.5bn against C$2.6bn. Page 15

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Leifheit	430	+	15
Falls			
Aachen Mch	740	–	15
Asko	764	–	23
Beiersdorf	740	–	55
Heidelb Zem	850	–	40
Philips Kommun	560	–	33

NEW YORK ($)

Rises			
Harris	31⅜	+	2⅞
Monsanto	58½	+	3⅛
Falls			
Beth Steel	13⅜	–	¼
Emerson	50	–	1⅛
Heart Tech	12¼	–	1½
Solos	10	–	⅛

PARIS (FFr)

Rises			
Merlin-Gerin	468	+	15
Schneider	600	+	17
Falls			
Air Liquide	752	–	12
Axa	793	–	19
GTM-Entrepose	405	–	10
Gaumont	450	–	19

TOKYO (Yen)

Rises			
Lec	16	+	3
Falls			
Macross	185	–	20
Misawa Homes	814	–	66
Mochida Pharm	2780	–	220
Nippon Koshuha	330	–	30
Taikoku San-I	320	–	26

LONDON (Pence)

Rises			
Admiral	349	+	8
Barclays	325	+	8
Euro Disney	895	+	35
Laird	270	+	7
Lucas Inds	110	+	5
Malaya	27	+	4
Mansfield Brw	690	+	19
Racal Elect	67	+	2¼
Scantronic	50	+	3
Vodafone	323	+	7
Williams Hdgs	271	+	7
Falls			
Brit Aerospace	211	–	7
Crossroads	135	–	33
Clinton Cards	77	–	7
Ensbrook	78	–	9
Heywood Williams	194	–	7
Koda Intl	108	–	4
Meyer Intl	277	–	14
Redland	445	–	14
Royal Bk Scot	153	–	21
Spring Ram	105	–	10
TI Group	283	–	31
WPP	45	–	2
Wickes	64	–	4
Yorks Chems	290	–	28

Buoyant Dresdner rises by 20%

Bank's double-digit growth helps confirm sector's ability to weather recession, writes David Waller

DRESDNER Bank yesterday became the second of Germany's big three banks to report robust profits for the first six months of the year.

Dresdner's partial operating profits – excluding gains from own account securities trading – rose 20 per cent to DM1.28bn ($869m), better than the market was expecting.

That follows a 14.7 per cent rise in Commerzbank's partial operating profits, announced last week, and comes before today's figures from Deutsche Bank, Germany's biggest bank.

All leading German banks reported double-digit profits growth in the first four months of the year, and the figures from Dresdner and Commerzbank suggest that banking remains, with construction, one of only two sectors in Germany able to defy the recession and deliver strong profits growth.

However, Deutsche's share price has fallen during the past week on worries that half-year profits will be flat, signalling the end of a long period of powerful profits growth.

Mr Wolfgang Röller, Dresdner's chief executive, said yesterday that full-year profits were likely to show double-digit growth during 1992 as a whole.

He declined to comment on the possibility that the dividend would be raised this year.

Earnings on interest in the Dresdner group rose by 12.6 per cent to DM2.95bn, while commission income climbed 14.8 per cent to DM1.13bn.

Operating expenses rose 10.3 per cent, less than the increase last year, reflecting what the bank called "a return to a more normal trend" after the pronounced increases in the past two years due to the bank's expansion in east Germany.

Total operating profits which include the contribution from own account trading - rose 15 per cent to DM1.4bn. Dresdner's shares added DM7 to close at DM332 yesterday.

Mr Röller dismissed talk of a power struggle between Deutsche Bank and Dresdner and Allianz, the big insurance company which owns 22.3 per cent of Dresdner.

Speculation about such a struggle has been aggravated recently by the sharp fall in the Allianz share price – and in the German stock market as a whole – after it published poor figures for 1991 on Tuesday last week.

The shares fell further on Thursday and Friday, triggered by a sell recommendation from DB Research, the Deutsche Bank research arm.

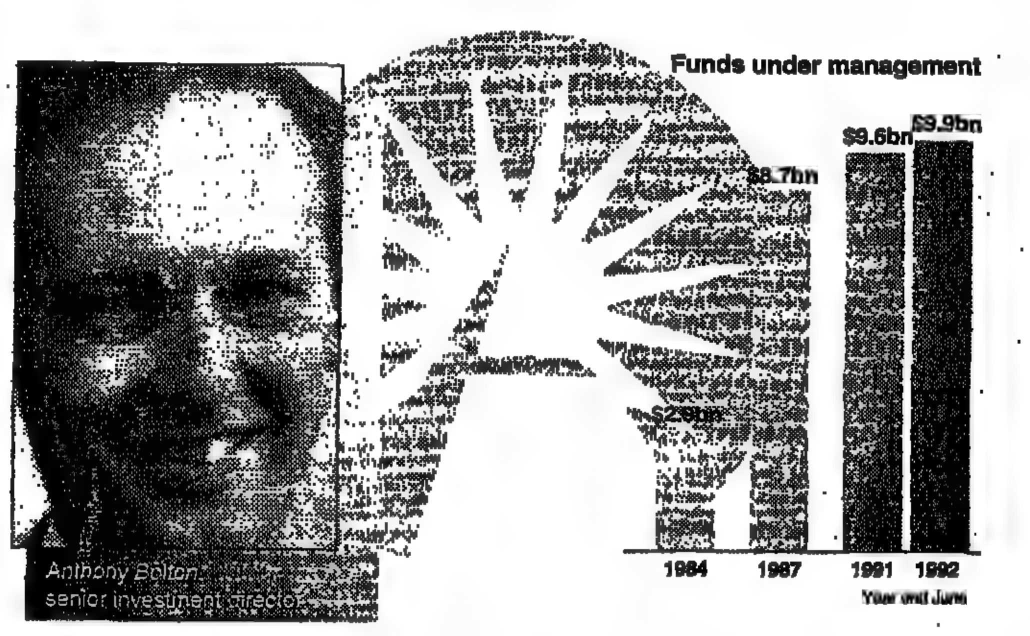
Mr Röller said that the sell note had caught the stock market at a delicate moment. Questions about the motive for the earnings estimate should be put to DB Research itself, he said. However, he pointed out that Dresdner's own equity analysts had downgraded their forecasts for Allianz's earnings as far back as December last year.

Deutsche said the sell recommendation followed an assessment of Allianz's profits. It was not an attempt to lower a rival's share price. Allianz denied that it dumped shares in Deutsche Bank by way of retaliation.

Norma Cohen on Fidelity's attempts to achieve better returns for its managed funds

Tough tactics behind the unit trusts

Fidelity Investments International



Anthony Bolton, senior investment director

The public confrontation between Fidelity Investments and the lenders and management of WPP, the worldwide media services group, has brought the institution's role as an aggressive shareholder into the spotlight.

For Boston-based Fidelity, the world's largest institutional fund manager, has been exporting US-style institutional activism into Britain with mixed results.

So far its UK arm, Fidelity Investments International, has helped oust two managements – at Brown and Jackson, the retailer, and Great Western Resources, the natural resources company. The share prices of both companies have since soared. But in no UK takeover battle has it won better financial terms for shareholders.

Fidelity Investments International has long been a maverick among UK institutions, both for its perception of its role as a shareholder and its investment style. Its senior investment director, Mr Anthony Bolton, engineered spectacular results for the company's unit trusts in the mid-1980s by concentrating on small companies and recovery situations. However, the recent recession has particularly hit share prices in those sectors and Fidelity's investment returns have suffered accordingly.

According to FinStat, the unit trust statistical research service, Fidelity's £485m ($930m) European Fund ranked first out of 88 funds measured by performance over the past five years, but over the year to this June, it ranked 83rd out of 125.

Similarly, its Special Situations Fund, once its pre-eminent investment vehicle, ranked sixth out of 69 funds on seven-year performance but 128th out of 146 funds over the past two years. That fund's performance has improved over the past year to June and its one-year returns rank 49th out of 147 funds in a similar category.

Thus, Fidelity's attempt to achieve better returns for unit holders by trying to get the most out of the companies in which it has invested becomes more understandable.

But many other UK fund managers face similar pressures on investment returns yet few have chosen to flex their muscle in such a visible way.

"We feel its much more effective to do these things in private," said the corporate finance director at one large UK institution. Indeed, fund managers say that the very threat that their hostile actions may be made public often acts as a disincentive for any action at all.

In the case of WPP, Fidelity led a group of preference shareholders who threatened to vote against a restructuring unless lenders offered them better terms. Fidelity gathered the support of 30 per cent to 40 per cent of the shareholders after compiling an extensive analysis of the terms of the deal which it circulated to other investors. In the end, Fidelity was forced to climb down after it became evident that the lenders were prepared to send WPP into receivership and render the shares worthless.

But Fidelity says it has no regrets about its role in WPP. "This is the first large company where we have been the biggest shareholder," said Mr Bolton. "In retrospect, we might have been wiser to retain an investment bank to represent our interests but we don't think it was a mistake. It doesn't change our view that as a house, we will stand up for shareholders."

Mr Barry Bateman, head of Fidelity's UK business, said that perhaps the company's US parent had encouraged a degree of activism which, while uncommon in the UK, was increasingly prevalent in the US. "As an investment house we encourage this [activism] amongst our fund managers whereas other firms discourage their fund managers from doing these things."

Fidelity has played a leading role in more management confrontations than any of its counterparts. It won two victories last year – at Brown and Jackson and Great Western Resources, a US-based but London-listed company – but failed in its efforts to oust the management at Cityvision, the video rental chain, after it agreed to be acquired by US-based Blockbuster at a price some shareholders considered too low.

But Fidelity has at times been uncomfortable about such public activism. Earlier this year, it dismissed a corporate troubleshooter after deciding that his actions had received too much adverse publicity. His role was to try to turn losing investments around, frequently through management changes.

Fidelity has also been active in the share trading settlements area. When a group of international banks refused fund managers access to Swift, an electronic worldwide messaging system for bank payments, Fidelity and Morgan Grenfell, the UK merchant bank, proposed their own system, forcing thebanks to back down.

Fidelity has also been an activist – generally unsuccessfully – on continental Europe. In November 1990, Fidelity baulked at selling its shares in Furness, one of Rotterdam's big shipping service companies, to its rival Pakhoed, arguing that the price was too low. In the end, it sold its shares to a third party, saying it believed that most of the remaining shareholders were likely to accept the deal.

In March 1991, it joined a group of dissident shareholders in Ned-Lloyd, the Dutch transport group, who unsuccessfully sought to force a radical restructuring of the board.

But the big question for Fidelity is if, overall, its actions enhance returns to investors. Without better returns, it is likely to have fewer investors whose interests need safeguarding.

Eckoff urged to take helm at Uni

By Karen Fossli in Oslo

MR ANDERS ECKOFF, an Oslo lawyer, has been proposed as the new chairman of the board of Uni Storebrand, the beleaguered Norwegian insurer, to replace Mr Thorleif Borge.

An extraordinary meeting on August 10 of Uni's board of representatives is widely expected to endorse the proposal for a new board. Uni's board tendered its resignation last month, when Mr Jan Erik Langangen, the company's president and chief executive, announced his resignation.

The proposal also offers a seat on the board to Mr Rune Brantinger, president of Sweden's Soedra Skogagarna, while four existing Uni board members have been asked to stay on.

Uni's biggest shareholders said that a new board must recapture power from the company's executive leadership, where it had languished under Mr Langangen.

Mr Langangen had been sharply criticised by shareholders for his decision to invest NKr4.7bn ($810m) to acquire a 28.3 per cent stake in Skandia Forsakrings, Sweden's biggest insurer, then failing to create a pan-Nordic insurance alliance with Skandia at its centre.

The proposal of Mr Eckoff surprised several shareholders who had pinned their hopes of restoring confidence in Uni to Mr Torvild Aakvaag, a board member and the chairman of Norsk Hydro, to replace Mr Borge.

Mr Eckoff, 49, has broad experience from "clean-up" jobs within Norway's industrial sector and is a member of the board of Elkem, the big Norwegian light metals producer.

Mr Georg Krogh, an executive representing Uni's sixth biggest shareholder, said that the appointment of Mr Eckoff could restore Uni's credibility.

The new board will decide the fate of Uni's executive management, loyal to Mr Langangen. Mr Per Terje Vold was appointed interim successor to Mr Langangen.

The new board will also have to hone the details for a planned capital expansion which is aimed to raise up to NKr2bn in the autumn.

The board will have to decide as well on a strategy to dispose of the Skandia shareholding, although it has a "breathing space" of one year to act.

Uni Storebrand's A-shares yesterday closed 10.2 per cent down at NKr22, a new low, on the Oslo bourse.

NatWest profits rise sharply despite record lending losses

By Robert Peston in London

NATIONAL Westminster Bank's profits recovered sharply in the first half of the year, even though its losses on UK lending remained at record levels.

The second biggest UK clearing bank, as measured by the value of its assets, also said it expected staff numbers to reduce by 5,000 this year and a similar number next year.

The departures of two senior executives were announced yesterday. Sir Geoffrey Littler, chairman of NatWest's merchant bank, County NatWest, and Mr John Drury, County's chief executive, are leaving.

NatWest's pre-tax profits in the six months to June 30 increased 109 per cent to £211m ($403m), which was also £101m more than it made in the whole of last year.

Its bad debt charge fell from £902m to £864m. However, within this total charge, the loan losses suffered by the UK high street banking business increased from £556m to £639m.

Lord Alexander, NatWest chairman, blamed these losses on the bank's relatively high exposure to the small business lending market – and on its disproportionate presence in the south-east of England, hit hardest by the recession.

NatWest has about £11bn of loans to small businesses and in the past couple of years has set aside about £1bn as provisions against losses on these loans.

NatWest pushed up profits before loan losses from £984m to £1.09bn. It bucked the trend set by rivals Lloyds and Midland, which announced results last week, by increasing non-interest income or earnings from bankings commissions and fees and from sales of insurance products.

These non-interest earnings rose 12 per cent, much of which came from an increase in the tariffs paid by customers and from an improvement in the rate of collecting these tariffs, thanks to a new computer system.

However, interest income fell slightly for two reasons:

- The volume of interest-earning loans held by NatWest has fallen;
- There has been a rise in the value of loans classified as non-performing.

Operating costs barely changed at £2.11bn.

The dividend has been maintained at 6.125p. The shares closed at 320p, down from 324p.

Lex, Page 12; Observer, Page 11; Market report, Page 21

Court orders Walbrook's liquidation

By Andrew Jack in London

WALBROOK INSURANCE, the UK insurance and reinsurance company with net liabilities of £170m ($324.7m), yesterday passed into provisional liquidation on the instructions of London's High Court.

The liquidation raises the prospect of an unprecedentedly large payout from the Policyholders Protection Board, the UK insurance industry's safety net, which may total more than $200m.

Walbrook, a subsidiary of London United Investments, the property company which went into administration in 1990, was a leading insurer and reinsurer of US liability business on the London market during the 1980s.

Mr Justice Harman yesterday approved as joint liquidators Mr Christopher Hughes and Mr Ian Bond of Cork Gully, and Mr Gareth Hughes of Ernst & Young, who will put together a scheme of arrangement under the 1985 Companies Act.

His action follows a winding-up petition lodged by Transit Casualty, a Missouri-based insurance company, which went into receivership in 1985, supported by other large creditors to Walbrook. It comes after the directors of Walbrook failed to produce an informal plan of arrangement which would have left them in control and offered large creditors a 40 per cent dividend and a debt-for-equity swap.

The directors did not oppose the winding-up petition, and the principal debate in the court yesterday was about a possible conflict of interest.

The decision to create a scheme of arrangement on the court's orders is unusual, and will require approval by 75 per cent of Walbrook's estimated 30,000 creditors at a meeting.

Christiania Bank reduces losses to NKr162m

By Karen Fossli

CHRISTIANIA BANK, Norway's second-biggest commercial bank, said yesterday that first-half net losses narrowed sharply to NKr162m ($27.8m) from NKr1.637bn in the same period last year.

The bank also reduced the amount its wants as emergency state funding from NKr750m to NKr685m to enable it to meet stricter capital adequacy requirements to be implemented by the end of the year. Last year, Christiania received state funds of NKr7.864bn.

Christiania was acquired by the state last year after its share capital was wiped out by large losses. The bank was delisted from the bourse and shareholders were given an option to acquire up to 25 per cent of the state's shares. Some 2.3 per cent of Christiania's share capital has been taken up by private investors. A decision to relist the bank in Oslo could be made by the end of next month.

Christiania lifted first-half net interest income to NKr1.555bn from NKr1.413bn last year. Profits from foreign exchange and securities' trading dipped to NKr260m from NKr283m, as non-interest expenses were cut to NKr1.447bn from NKr1.769bn in last year's comparative period.

Christiania reduced staff by 20 per cent during the last 18 months as part of a state instruction to reduce costs by 15 per cent. Costs were reduced by 21 per cent by the end of the second quarter.

First-half credit losses fell to NKr1bn from NKr1.9bn, but Mr Borger A. Lenth, chief executive, said credit losses were still at an unacceptable level. He pointed out that the value of collateral for loans was still declining.

He expressed concern over the development of the domestic economy and over a reduction in the volume of the bank's loans and said that if the bank saw a further, strong reduction in loan volume, it would be necessary to evaluate the bank's branch network. Should the bank be forced to consolidate further, additional redundancies could be necessary, he warned.

Mr Borger A. Lenth said that the company would need NKr685m to meet capital adequacy requirements by the end of the year, compared with its first-quarter estimate of NKr750m.

"The government Bank Insurance Fund has confirmed that it will contribute to the bank meeting this requirement," Christiania said.

Royal Bank of Scotland warns on bad debts

By Robert Peston

ROYAL Bank of Scotland yesterday issued a gloomy trading statement, which in part prompted a 12 per cent fall in its share price to 153p.

The bank said it expected bad debt charges in the current financial year, which ends on September 30, would exceed those of the previous year, which had been a record £351m ($675m).

The bank made the statement when announcing plans to raise $200m by an issue of non-cumulative preference shares.

Royal Bank said it did not expect any improvement in the "recessionary environment in the short term" and that business conditions for the group would probably "remain difficult ... through at least the remainder of calendar 1992".

Royal Bank's share price was also depressed by a separate announcement that it had received a claim from Wallace Smith Trust, a company in liquidation, for the reimbursement of significant sums allegedly transferred to the wrong account. Royal Bank is contesting the claim and cannot quantify its ultimate liability, though the face value of the sums involved total £418m.

The new preference shares are being issued in the US. Merrill Lynch, the US securities firm, is advising Royal Bank on the share sale.

Earnings at TI Group decline 7% in first half

By Richard Gourlay in London

TI GROUP, the specialist UK engineering group that took over Dowty, the British aerospace company, in June, yesterday reported a 7 per cent fall in first-half profits amid "increasingly prolonged depression in business activity".

Increases in profits from the John Crane seals and Bundy specialised tubes divisions – much of which derived from the £134m spent on bolt-on acquisitions last year – could not compensate for a halving in operating profits in the specialised engineering division.

Mr Christopher Lewinton, TI chairman, said the main decline was in thermal technology capital equipment manufacturing, a non-core business which is to be sold.

As proposed during the bid, Dowty's aerospace division will replace the specialised engineering division as TI's third business leg alongside seals and tubes.

The figures are the last not to include a contribution from Dowty. In early October TI will reveal the fair market provisions it will set up for the Dowty acquisition, a practice which the City has criticised TI for in the past.

Pre-tax profits fell from £54.2m in the six months to June 1991 to £50.2m ($95.88m) - about the level reported in the last half of 1992 – on sales up 7 per cent at £471m.

Earnings per share fell from 11.4p to 10.2p and the group is to pay an increased 3.7p interim dividend, up 5.7 per cent.

TI also attempted to remove some of the uncertainty during the bid that surrounded Dowty's results for the year to March.

Price Waterhouse and Arthur Andersen, auditors for TI and Dowty, respectively, have now agreed that Dowty will report pre-tax profits of £26m, about £6.7m below the figure forecast by Dowty as part of its bid defence.

Mr Lewinton said the closure of Dowty's Cognito paging business would require a £25m write-off. This will be taken on Dowty's books before it is consolidated into TI and will therefore not form part of the acquisition provisions to be announced in October.

Mr Lewington's comments that Dowty's first-quarter operating improvement was unlikely to continue, as Dowty had suggested, and repetition of the stark economic background in the group's markets hit TI's share price. After a number of brokers cut their forecasts TI's shares fell 31p to 283p.

Lex, Page 12

Utd Distillers extends Greek distribution deal

By Kerin Hope in Athens

J.BOUTARI, the largest Greek wine producer, is extending a successful joint venture agreement in marketing and distribution with United Distillers, the British spirits company.

Under a new agreement with a 20-year duration, the companies each hold a 50 per cent stake in United Distillers Boutari, the joint venture.

UDB was set up in 1989 under a three-year agreement by which Boutari distributed the British company's products in Greece. UDB's sales rose from Dr2.6bn ($14m) in 1989 to Dr8.9bn in 1991, reflecting rapid growth in consumption of imported spirits, partly at the expense of traditional Greek wines and aperitifs. Pre-tax profits rose from Dr408m to Dr1.6bn over the same period.

Under the new agreement, UDB will market both Boutari wines and United Distillers products through the Boutari network in mainland Greece and the Aegean islands.

United Distillers is to provide Boutari with a cash injection, reportedly amounting to Dr7bn, out of its share of UDB's future earnings.

Boutari has added several new wines to its medium-priced range which, unlike other Greek wines, are aggressively marketed throughout the country. It has entered the beer market with the acquisition in April of Henninger Breweries in central Greece.

Akzo gains 14.6% in quarter

By Ronald Van Der Krol in Amsterdam

AKZO, the Dutch chemicals group, reported a 14.6 per cent rise in second-quarter net profit, double the 7 per cent rate of growth recorded in the first quarter.

The company said that economic uncertainties and the weaker dollar would make it more difficult to post a profit rise in the second half, but it predicted that full-year profit before extraordinary items would be higher than in 1991.

An improved performance in chemical products, the biggest of the group's four divisions, was the main factor behind the rise in second-quarter net profit to Fl 218.3m ($130.7m) from Fl 190.5m a year earlier. The increase brought first-half group net profit to Fl 424.1m, a gain of 10.8 per cent from the first six months of 1991. Turnover in the first half was up 3.3 per cent at Fl 8.82bn.

The chemical products division saw second-quarter operating profit nearly double to Fl 94m from Fl 49m in the same quarter of 1991, when results had been weighed down by maintenance work at some facilities.

Pharmaceuticals, the smallest division by turnover but the biggest in terms of profits, posted operating results of Fl 140m, up only slightly from Fl 139m a year earlier. Akzo said growth in results had been held back by the cost of setting up a US marketing force for the company's Marvelon contraceptive pill, for which it hoped to win US regulatory approval by the end of the year.

Elsewhere, operating results in coatings rose to Fl 113m from Fl 99m, while profits in fibres showed a small increase to Fl 40m from Fl 38m.

Schering lifts sales to DM3.4bn

By Leslie Colitt in Berlin

SCHERING, the Berlin-based pharmaceuticals and chemicals group, lifted sales by 5 per cent to DM3.4bn ($2.23bn) in the first six months of this year.

Earnings at DM179m were down 4 per cent compared with the same period last year. Lower profits from subsidiaries were blamed, but Schering forecast that earnings for the year would be slightly above the record DM274m earned in 1991.

The DM660m sale of Schering's industrial and organic chemicals operations to Witco Corporation in the US was cited as a contributing factor to the projected higher earnings.

Schering said it wanted to concentrate on pharmaceuticals and plant protection chemicals as its market share in the other sectors was too low to permit expansion.

Pharmaceuticals sales in the first half rose 14 per cent to DM1.9bn, contributing 57 per cent to total turnover. Agrochemicals, which made up 25 per cent of sales, fell 10 per cent to DM857m. Schering placed responsibility on drought conditions in Europe and recent EC agricultural measures.

The company said a decision was expected in the next few days on the sale of Schering's electroplating division. Negotiations were continuing with a US company. Electroplating sales fell in the first half by 5 per cent to DM143m.

● AGAB, the German investment company, has taken a stake of about 10 per cent in Fresenius, a pharmaceuticals and medical technology company, Reuter reports from Frankfurt.

AGAB said that it hoped to strengthen its presence in the sector through the purchase of the stake.

Fresenius is mainly involved in the manufacture and sale of dialysis equipment and infusion products.

AGAB's balance sheet total rose 30 per cent in 1991 to DM769m and it earned DM58.7m through its equity holdings, up from DM58.1m the year before.

Distributable profit was DM15.2m against DM12.2m previously.

Banks in talks with Torras

REPRESENTATIVES of about 60 banks will meet officials of the Kuwait Investment Office's (KIO) fully-owned subsidiary, Grupo Torras today to discuss debt servicing within the group, Reuter reports from Madrid.

The meeting will focus on Prima Inmobiliaria, a real estate company in which Torras holds 27 per cent, but may also review other companies in the group, including Ercros, which filed for a partial suspension of payments on July 8.

COMPANY NEWS IN BRIEF

Ciba-Geigy buys polymer unit

CIBA-GEIGY, the Swiss pharmaceuticals and chemicals group, has bought Rhône-Poulenc of France's high-performance polymers operations, writes Paul Abrahams in London. No financial details were given.

The sale is the latest of a series of disposals by the French company, which is aiming to refocus its business, reducing its debt to equity ratio from 0.8 in 1991 to 0.5 next year. In June, Rhône-Poulenc sold its 50-50 polychloroprene rubber joint-venture with British Petroleum to Enichem of Italy for an estimated FFr450m ($88.23m).

The high-performance polymers operations are expected to generate sales of about FFr80m this year. The technology is used to make printed circuit boards for the electronics industry and structural parts resistant to high temperature in jet engines.

Ciba-Geigy will market the products worldwide, and will use the French company's production facilities until its own have been completed. A number of specialists will transfer to the Swiss group.

● Yves Saint Laurent, one of the leading French fashion houses, countered lacklustre sales in the US and Europe with a strong performance in the Middle East and Latin America to increase turnover by 7 per cent to FFr1.39bn in the first half of this year, writes Alice Rawsthorn in Paris.

YSL has been clouded by controversy because of the internal rows over the decision of Mr Pierre Bergé, chairman, to launch the first ready-to-wear fashion collection, of Mr Robert Merloz, his young friend. It was affected last year by the impact of the Gulf war on sales in the important duty free sector.

Duty free sales have recovered this year and the company benefitted from the contribution of its first skincare range, which made sales of FFr87m in its first three months on the market compared to a first year target of FFr140m.

The group saw its turnover from fashion, which includes the YSL haute couture collection as well as the ready-to-wear ranges, rise by nearly 1 per cent to FFr258.3m in the six months to June 30.

Sales of perfumes rose faster, by 8.2 per cent, thanks to the recovery in the duty free market, to FFr1.13bn.

● Mayne Nickless, the Australian-based international transport group, is expanding further into Europe with the purchase of Centropa, a distribution company with operations in the Netherlands and Belgium, writes Bruce Jacques in Sydney.

Mr Bill Blytheway, Mayne Nickless managing director, said the acquisition, combined with the group's existing Heijden Transport business in the Netherlands, would make it a leading food distributor in the Benelux region. Centropa group had revenues of more than A$43m last year. The

Canadian Pacific optimistic after loss in first half

By Robert Gibbens in Montreal

CANADIAN PACIFIC, the diversified holding company, yesterday unveiled disappointing second-quarter and first-half results. However, the group said heavy grain movements, strong oil and gas output and improved forest products markets would help in the second half.

CP subsidiaries in transportation, energy, and forest products continued to feel the recession, while real estate and hotels improved their performances.

Second-quarter profits were C$21m (US$17.7m), or 6 cents a share, against C$30.9m, or 10 cents, a year earlier, on revenues of C$2.5bn against C$2.6bn. But the first half showed a loss of C$18.7m compared with profit of C$25.6m on revenues of C$4.89bn, against C$5.06bn last time.

CP Rail weakened in the second quarter when grain movements declined. Overall traffic dipped 7 per cent because of labour disputes in some western industries, but it said that grain movements should recover in the second half.

The coal unit's performance improved in the first half. A strike has halted coal shipments from Vancouver but talks are under way to try to resolve the dispute.

Forest products losses rose in the first half, but pulp and newsprint prices have recently firmed and markets should strengthen in the second half. The deterioration in the first half was partly offset by a lower Canadian dollar and reduced production costs.

Marathon Realty had first-half operating income of C$123m, up C$50m, from higher sales of land and buildings. Rental income fell because of the recession while hotels gained from higher efficiency and improved average room rates. The US Doubletree hotels also did better.

The machinery group improved with a strong performance by the Litwin petrochemical engineering unit. The recession continued to affect 19 per cent-owned Laidlaw, the big North American waste management group.

● Cascades, a fast-expanding international packaging group, earned first-half profits of C$12.3m, or 28 cents a share, against C$3.4m, or 7 cents, a year earlier, on sales of C$425m against C$422m.

Catastrophe losses cause setback at Cigna

By Karen Zagor in New York

CIGNA, one of the largest composite insurers in the US, has unveiled underlying second-quarter earnings of $1.09 a share, compared with $1.88 in the same period of 1991.

Mr Wilson Taylor, Cigna's chairman, blamed the shortfall on weak worldwide property and casualty markets and high catastrophe losses, particularly from the Los Angeles riots.

The company had already warned its results would fall below analysts' expectations of about $1.25 a share, but did not give specific reasons.

Mr Taylor said the company was reviewing its London property and casualty reinsurance operations because of recent concerns about the London reinsurance market.

Cigna's pre-tax catastrophe losses climbed to $55m, including $39m from the Los Angeles riots, from $11m a year earlier. Net income for the three months to June 30 was $125m, or $1.74 a share, including one-time gains of $47m. A year earlier, Cigna net income was $170m, or $2.38, including one-time after-tax gains of $36m.

For the first half, Cigna recorded net income of $231m, or $3.22 a share, including after-tax gains of $70m. For the same period of 1991, it earned $218m, or $3.05 a share, including extraordinary gains of $41m.

Premiums and fees for the group overall in the second quarter were $3.45bn, against $3.6bn a year ago, while net investment income totalled $970m against $960m. For the first half, premiums and fees stood at $6.9bn while net investment income totalled $1.96bn. A year earlier, premiums and fees were $7.2bn while net investment income was $1.93bn.

Nippon Housing cuts interest payments

By Robert Thomson in Tokyo

NIPPON Housing Loan, Japan's largest home-loan company, has cut interest payments to leading banks to try to overcome a sharp rise in its non-performing loans.

Seven Japanese housing loan companies have sought financial assistance from their leading banks, and Nippon Housing has sought the help of the nine banks which founded it in 1971.

However, Nippon Housing is now in dispute with several of the banks, which oppose its unilateral decision to reduce the interest rate on its loans. The company had cut the rate to 3.75 per cent, the same as the official discount rate, and this week decided to reduce it to 3.25 per cent.

Nippon Housing, now a listed company, has an estimated Y1,200bn ($9.43bn) in non-performing loans, and reported an 87 per cent fall in pre-tax profits for the year to March. The company also said it had Y23.4bn in unrealised losses on securities holdings.

The plight of the home-loan industry is indicative of the pressure on Japanese financial institutions, which have been forced to accept reduced or even no interest payments from clients bruised by the stock market crash and the property price slump.

At the end of March, Sakura Bank had about Y226bn in loans outstanding to Nippon Housing, while Sanwa Bank had Y199bn in loans.

Earnings climb 20% at Stanbic

STANDARD Bank Investment Corp (Stanbic), South Africa's second-largest banking group, yesterday reported a 20 per cent rise in earnings to 245 cents a share for the first half to June 30, from 204 cents a share a year earlier, AP-DJ reports from Johannesburg.

Net profits rose 25 per cent to R259.2m ($96m) from R209.0m.

Stanbic expects "real earnings growth" in the second half because a liquid money market – resulting from both South Africa's recession and its drought – should keep margins high.

The group's loans, advances and acceptances declined during the first six months even though, home loans rose by R1.27bn.

The bank reduced its bad debt provisions by 10 per cent to R173.0m from R192.7m a year earlier, while its operating expenses rose 24 per cent to R608.3m from R492.5m.

RJR establishes new foods division

By Alan Friedman in New York

RJR Nabisco, the large US foods and tobacco group, yesterday formed a new international foods division and hired Mr Richard Thoman, a former top executive at American Express, as its president.

The 48-year-old Mr Thoman, who was previously a co-chief executive of the travel related services (TRS) division of American Express and the man in charge of international banking operations, will become president of Nabisco International.

He will be one of four RJR division heads reporting to Mr Louis Gerstner, the RJR Nabisco chairman who resigned as president of American Express three years ago.

Mr Thoman was replaced as co-chief executive of the American Express TRS division last October, as was Mr Ed Cooperman, who also left American Express and now works as a senior executive for Mr Sandy Weill, another former American Express president who is chairman of Primerica, the financial services group.

The American Express TRS division, the core of the travel and financial services group, suffered a more-than-halved 1991 net income of $396m. The main cause was large losses at the Optioma credit card business in the US, a business that was not Mr Thoman's direct responsibility.

Richard Thoman: will head new international unit

Mr Thoman and Mr Cooperman were replaced as chief executive of TRS by Mr Harvey Golub, who was named the new president of American Express a year ago. Mr Thoman left American Express in February of this year and remained a consultant until June.

The Nabisco international foods division that Mr Thoman will run is estimated by analysts to have had 1991 revenues of about $800m, against total foods revenues of $6.5bn. The international foods business has a workforce of 13,200, out of a total of 36,000 employees in the Nabisco foods business.

Mr Gerstner said the recruiting of Mr Thoman was aimed at "underscoring this company's commitment in the international food arena."

Record results at Bear Stearns

By Patrick Harverson in New York

BEAR Stearns, the Wall Street broking house, yesterday reported a 57 per cent increase in fiscal fourth-quarter net income to $78.8m in the wake of strong trading revenues and a buoyant underwriting business.

It was the second-best quarterly performance in the firm's history, and took Bear Stearns' earnings for the full year, which ended on June 30, to a record $294.6m, more than double the $142.9m earned a year earlier.

The firm's return on the equity for the year was 28 per cent, also a record.

Bear Stearns said earnings in the fourth quarter were up across all of its departments, but singled out the 47 per cent increase in revenues from trading, especially in mortgage-backed securities, convertible bonds and government securities.

Investment banking revenues were also significantly higher, thanks to increased stock and bond underwriting during the quarter.

The pattern of earnings for the whole year was much the same, with investment banking leading the way, aided by big contributions from areas including asset securitisation and high-yield/bankruptcy business, municipal trading and public finance, and emerging markets operations.

Bear Stearns was also helped during the year by cost-cutting measures, including the move of its clearing and operations personnel from Manhattan to Brooklyn in New York and similar relocations in Chicago, Boston and London.

The decision to bring all of the firm's data processing activities in-house was also completed during the year, and should result in a "several million dollar" reduction of annual data processing costs beginning in fiscal year 1993.

Mr Alan Greenberg, chairman and chief executive of Bear Stearns, believes that the firm can improve on its record annual results.

He said: "We have momentum and our job is to try to keep it going."

Chase Manhattan cards offer lower variable rates

CHASE Manhattan, the second-biggest issuer of Visa and MasterCard credit cards in the US, yesterday said it would offer lower variable interest rates to more than half of its credit card holders in a move which reflects the competitiveness of the plastic card industry, writes Karen Zagor.

The announcement comes just months after Citibank, the biggest US issuer, offered lower rates to its better customers.

The reduced variable rates will take effect when Classic Card balances exceed $2,000, and Gold Card balances exceed $3,500. Members in good standing will also have a choice between their current fixed rate or a variable rate.

Sharp rise at Toronto metals producer

By Bernard Simon in Toronto

FALCONBRIDGE, the metals producer jointly owned by Noranda of Canada and Sweden's Trelleborg group, boosted second-quarter earnings by almost 40 per cent, despite sharply lower nickel prices.

The Toronto-based company said net income rose to C$13.8m (US$11.6m) from C$9.9m a year earlier. The latest figure includes a C$5.2m charge for an early retirement programme at the Kidd Creek mine in northern Ontario.

Mr Lars-Eric Johansson, chief financial officer, ascribed the improvement to lower interest rates, a higher zinc price and lower unit costs.

Operating income tumbled to C$14.4m from C$59.9m, while revenues fell to C$412.5m from C$463.5m.

Nickel sales fell to 14,400 tonnes in the second quarter at an average price of $3.43 per lb, from 14,600 tonnes at an average of $4.07 per lb a year earlier.

The company sold 6,600 tonnes of ferro-nickel at an average price of $3.35 per lb, compared with 8,000 tonnes at $3.99 per lb last year.

The weak nickel market has led Falconbridge to close both furnaces of its facility in the Dominican Republic during August.

In addition, the Sudbury division in Ontario will take an extended five-week summer shutdown.

INTERNATIONAL COMPANIES AND FINANCE

Fujitsu to end chip production at US plant

By Robert Thomson in Tokyo and Michiyo Nakamoto in London

FUJITSU, the Japanese computermaker, is to end production immediately at its semiconductor plant in San Diego as part of a reorganisation of the company's chip production.

The decision, which could stir criticism in the US, reflects the financial pressure on electronics companies, particularly those determined to stay in the semiconductor race.

It is also a sign of a general restructuring now taking place within the Japanese electronics industry.

About 260 workers are employed at the California plant, which assembled 1-megabit dynamic random access memory (D-ram) chips, and is one of two Fujitsu semiconductor plants in North America. The chips, produced for sale on the open market, are used in computers and telecommunications equipment.

The memory chip market has suffered over-production, leading to large price falls. The 1-megabit D-ram market is particularly oversupplied and increasingly dominated by South Korean suppliers.

The trend among Japanese semiconductor suppliers has been to enter markets for the most advanced products at an early stage when margins are higher.

Fujitsu has not been successful in the memory chip market generally, where it has failed to be an innovator.

The group has invested heavily in a recently-opened UK plant making 4-megabit D-rams. However this has been incurring loses because demand has fallen short of expected levels. Fujitsu's difficulties in the semiconductor market led it recently to dismiss the heads of its European and North American semiconductor operations.

Refering to the latest US move, Fujitsu said last night: "We have to close the plant because of profitability and competitiveness problems. We all know that the profitability of the semiconductor industry is not so good. The weak Japanese economy is a reason, but that is not the only reason for the closure."

Fujitsu reported a 68 per cent fall in pre-tax profits for the year to March, while other Japanese chipmakers announced profit falls of 40 per cent and more, due to the weak memory markets.

These companies are reviewing their chip production and their role in the crowded consumer electronics markets. They have sought to reduce development costs through partnerships with US and European makers.

It is likely some of the San Diego operations will be transferred to a Fujitsu facility in Malaysia, where production costs are lower.

The US facility, opened in 1980, assembled about 800,000 memory chips out of a total of 5m produced monthly by Fujitsu.

FHI plans product line rationalisation

By Gordon Cramb in Tokyo

FUJI Heavy Industries (FHI), the Japanese carmaker, is to eliminate almost half its Subaru model variations, in the most sweeping rationalisation of product lines which Japan's economic downturn has yet forced on its crowded automotive sector.

The move is part of a 30-month programme announced yesterday by FHI under which it plans to return to pre-tax profits of Y4bn ($31.4m) in the current year to March – double its previous forecast – and Y26bn by 1994-95.

The company incurred parent pre-tax losses of Y4.1bn last year, its second year in the red. Mr Isamu Kawai, president, expects to resume dividends during the rationalisation programme. FHI last made a payout, of Y6 per share, in 1989-90.

In common with larger Japanese carmakers such as Nissan, which holds 4 per cent of FHI, it offers a large range of model variants, numbering about 400. These are to be shrunk to nearer 200, while costs will be cut through a greater standardising of components.

The move may trigger similar announcements elsewhere. All Japan's nine carmakers are studying using parts common to different models and in some cases, for simpler items such as bolts, even co-ordinating procurement with rivals. ranges.

As a result of the measures, domestic sales of Subaru, known for minicars and four-wheel-drive vehicles, are forecast to rise to 377,000 units by the year to March 1995 from 360,000 this year. Export sales are expected to remain flat at just above 200,000.

The economic slowdown, which pulled Japan's domestic car sales lower by 6.5 per cent last year, shows few signs of easing. Figures this week from the Japan Automobile Dealers' Association show a 6.9 per cent drop in new registrations in July from a year earlier.

Medal-winning run for Wall Street

Patrick Harverson assesses the performance of US securities houses

US STOCK ISSUES (full credit to lead-manager)

	January 1 1992 - June 30 1992				January 1 1991 - June 30 1991			
Manager	Amount ($m)	Rank	%	Issues	Amount ($m)	Rank	%	Issues
Goldman, Sachs	8,104.6	1	19.6	41	5,262.1	1	20.2	27
Merrill Lynch	6,159.0	2	14.9	50	3,067.4	3	11.8	28
Morgan Stanley	5,185.8	3	12.5	37	2,099.7	4	8.1	18
Lehman Brothers	4,221.0	4	10.2	45	1,514.8	7	5.8	24
First Boston	3,179.5	5	7.7	28	1,907.4	6	7.3	16
PaineWebber	1,660.7	6	4.0	28	635.6	11	2.4	20
Alex Brown & Sons	1,588.2	7	3.8	30	3,380.6	2	13.0	29
Smith Barney, Harris Upham	1,300.9	8	3.1	21	727.9	9	2.8	19
Donaldson Lufkin & Jenrette	1,165.9	9	2.8	14	1,066.1	8	4.1	11
Salomon Brothers	946.5	10	2.3	7	1,946.9	5	7.5	21

Source: IDD Information Services

IF THE US securities business was an Olympic sport, Wall Street's performance in the second quarter would warrant a silver-medal.

A good showing, but not quite up to the sparkling gold-medal display of the first quarter, when almost every major securities house reported record profits in the wake of booming stock prices and huge demand from corporations for securities underwriting services.

Not that anyone is complaining. At most firms, profits, revenues and return-on-equity ratios were higher than in the second quarter of 1991, while cost-containment measures introduced at the start of the decade continued to pay off.

Total expenses, however, actually rose during the three months because of higher performance-related compensation, itself evidence of buoyant market conditions.

The favourable interest rate environment continued to be the key factor in Wall Street's success. The record first quarter drew its strength from the big cut in interest rates at the end of December.

After rates came down, investors flooded out of low-yielding, short-term financial assets, such as bank certificates of deposit and money market funds, and into stocks and bonds as investors went in search of higher yields.

Although the Federal Reserve did not engineer a major cut in interest rates during the second quarter of this year, there was sufficient follow-through from the December policy ease to ensure that large amounts of money continued to flow into equities between April and June.

The latest figures for net inflows to stock funds (which does not account for direct investing in the market) show that more than $19bn was invested in funds in the second quarter, down slightly from first-quarter levels.

Those securities firms with a strong presence in the retail stockbroking market – notably Merrill Lynch, Shearson Lehman Brothers and PaineWebber – benefited most from continued high levels of individual investor interest in the stock markets in the form of strong broking commissions.

At the same time, low interest rates have spurred Corporate America, eager to take advantage of cheap credit, into a flurry of debt and equity issues.

This sent revenues at securities houses with big underwriting books through the roof. In the second quarter, companies raised a record $116bn through stock and bond sales, although there was a modest decline in the most profitable line of business – initial public offerings (IPOs) of stock – which hit firms, such as Alex Brown, which rely more on IPO revenues.

Low interest rates also benefited Wall Street firms in other ways. With a low cost of borrowing, firms have put their cheap capital to effective use in the markets, especially in exploiting arbitrage opportunities.

Low rates have also helped keep stock markets relatively buoyant despite a hostile economic and political environment, thus maintaining the value of firms' securities holdings.

Also, the big gap between low short-term rates and high long-term rates enabled firms to borrow short, lend or buy long and enjoy the wide profit margin in between.

The undoubted star of the second quarter was Salomon in the clearest sign yet that the giant securities house has recovered from the debilitating effects of last year's scandal involving its illegal activities in the Treasury markets.

Salomon posted a $647m pre-tax operating profit, the largest three-monthly profit ever recorded by a publicly-traded securities firm.

As always, the bulk of Salomon's earnings came from proprietary trading activities, and the firm was reportedly helped by a big derivatives-related windfall at its foreign operations during the quarter.

The one area that is still feeling the impact of the scandal, however, is investment banking, where revenues fell 16 per cent during the quarter despite strong demand on Wall Street for bond underwriting, a Salomon speciality.

There was no holding back investment banking revenues at Merrill Lynch, the league leader in securities underwriting.

Merrill's investment banking division earned a record $399m from selling stock and bonds and from an increase in mergers and acquisitions activity (M&A). The rebound in M&A at Merrill, and at other firms, suggests this long-dormant part of Wall Street's repertoire is finally coming back to life.

Shearson Lehman, the second-largest US broking firm, also had a solid quarter, with profits rising 37 per cent to $163m. The earnings picture at Shearson was similar to other firms – strong proprietary trading and investment banking revenues offsetting flat or lower stockbroking commissions and slower IPO business.

Despite the good times, Wall Street has been cautious about boosting its payrolls. Management is sticking with the more cost-conscious approach adopted soon after firms realised that over-spending had eaten dramatically into dwindling profits during the late 1980s.

Those that did take on more staff were mostly retail houses looking to boost their broking muscle. PaineWebber was one of the biggest hirers. By the end of the quarter the firm had 350 more brokers than a year earlier, taking the total to 4,900.

While no one is expecting Wall Street to repeat its stunning first-quarter performance during the second half of the year, the July reduction in interest rates, plus recent gains in equity prices, suggest that the third quarter should see healthy earnings at most firms.

The only real cloud on the horizon is the IPO market, which for the past few months has been showing signs of distress.

Investors have become more choosy, and market conditions less favourable (too many IPOs are trading below their issue price to make potential investors comfortable). A host of planned flotations has been cancelled or abandoned in recent months, including, last week, a $380m offer by cosmetics giant Revlon.

IEL to float leading Australian retailer

By Bruce Jacques in Sydney

INDUSTRIAL Equity (IEL), the Australian investment group which owns Woolworths, the country's second-largest retailer, ended months of speculation yesterday by announcing plans to float the store group by October.

The flotation is expected to be Australia's largest, probably raising more than A$2bn (US$1.49bn), though no financial details were given yesterday.

IEL is controlled jointly by David Jones, Tooth & Co and Adelaide Steamship Company, all members of the former corporate empire of Mr John Spalvins, the Sydney-based entrepreneur. They are now operating under arrangements with their bankers.

The latter three companies are entitled to 52 per cent of the issue, but said yesterday they would pass that entitlement on to their shareholders.

Once cross-shareholdings are cancelled out, about 48 per cent of the issue will be offered as entitlements to the three companies' shareholders, with the remaining 52 per cent available for public subscription.

Woolworths shares will be listed on the Australian and New York stock exchanges, with the flotation price determined by tenders from institutional investors.

The flotation proceeds will be used to retire all IEL's debt and some of that of Adsteam, Tooth and David Jones. It is understood that IEL plans to make the issue widely available to the Australian public.

The announcement follows Monday's disclosure by Woolworths of a 13 per cent rise in net profits to A$247m for the year to June, on sales 11 per cent ahead at A$9.18bn, defying the trend of a depressed Australian retail sector.

● State Government Insurance Office (SGIO), the Western Australia stated-owned general insurance business, is to be privatised through a public flotation, Reuter reports from Perth.

Mr Carmen Lawrence, state premier, said legislation would be introduced this year to enable the sale to go ahead. The state government said in February it would sell all of SGIO and up to 49 per cent of the state-owned R&I Bank of Western Australia.

A statement gave no financial details or a timetable for the float.

SGIO's parent, the State Government Insurance Commission, will remain government-owned but will be reconstituted as the Insurance Commission of Western Australia.

INTERNATIONAL CAPITAL MARKETS

Italian bonds rally strongly after rate cut

By Sara Webb in London and Patrick Harverson in New York

ITALIAN government bonds rallied strongly in the wake of the Bank of Italy's discount rate cut, continuing Monday's rise in the market.

The announcement on Monday evening of a half point cut in the official discount rate – from 13.75 per cent to 13.25 per cent – took the financial markets by surprise, and when the Italian government bond market opened yesterday, bond prices surged half a point.

The Italian bond futures contract, which closed at 93.59 on Monday, reached a high of 94.85 yesterday before profit-taking wiped out some of the gains. By late afternoon the futures contract traded at 94.18.

Mr Franco Reviglio, the Italian budget minister, told Italian radio that further interest rate cuts would be possible in the next few weeks if Italy manages to restore its credibility in international eyes.

The Bank of Italy cut its official discount rate to 13.25 per cent following the agreement at the weekend to abolish inflation-linked wage indexation.

Elsewhere in Europe, many of the bond markets are waiting for today's opinion poll in France on the Maastricht Treaty. The most recent poll showed 57 per cent of French voters backing the ratification of the treaty, a result which boosted French government bond prices by up to half a point on Monday. Yesterday, French bonds ended the day slightly lower or little changed,

GOVERNMENT BONDS

with the Matif futures contract slipping from 105.46 to 105.28 by late afternoon.

■ UK government bonds fell on the combination of new supply in the sterling bond market, speculation that a big US investor was selling gilts and sterling weakness.

Volume in the Liffe futures contract was relatively high at 34,000 contracts. The contract fell from 97.11 to 96.29 while in the cash market the 9¾ per cent gilt due 2002 dropped from 103$\frac{1}{32}$ to 102$\frac{3}{32}$ to yield 9.30 per cent.

■ GERMAN government bonds ended little changed in dull trading, with many investors waiting on the sidelines for Thursday's Bundesbank Council meeting.

The Liffe bund futures contract moved in a range of 86.78 to 87.06 and by late afternoon it was trading at 86.96, slightly higher than Monday's close of 86.93.

Dealers reported only faint interest in the German Bundespost 10-year bond issue yesterday, when DM3bn of the 8¼ per cent bonds were priced at 100.30 to yield 8.2 per cent.

The federal bond consortium met yesterday to negotiate the terms, and dealers expect a further DM2bn to be auctioned today. However, traders noted only weak demand from domestic investors for 10-year issues.

■ US Treasury prices firmed yesterday as investors traded cautiously before today's announcement of the government's quarterly refunding programme and Friday's key jobs data.

In late trading, the benchmark 30-year government bond was up $\frac{1}{32}$ at 106$\frac{3}{32}$, yielding 7.422 per cent. The two-year note was up $\frac{1}{8}$ at 99$\frac{3}{32}$, to carry a yield of 4.283 per cent.

The market expects the Treasury to unveil a $36bn refunding package today, probably consisting of $15bn of three-year notes, $11bn of 10-year notes and $10bn of 30-year bonds. With the wait for refunding details and the eager anticipation of Friday's employment report for July, many investors initially held their fire yesterday, although by mid-afternoon activity, which had been limited mostly to technical manoeuvring by professional traders and some sporadic speculative buying early on, included active buying by retail interests.

The day's only economic data, the 0.2 per cent decline in the index of economic indicators for June, was in line with expectations and had no impact on a subdued market.

■ JAPANESE government bonds closed higher on the day, buoyed by firm domestic demand.

The September futures contract moved in a relatively wide range – from 104.59 to 105.05 – and closed at 105.02 in Tokyo, against its opening level of 104.64. In the cash market, the yield on the benchmark No 129 opened at 4.98 per cent and moved to 4.92 per cent in London trading.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	111.1546	-0.295	8.35	8.53	8.70
BELGIUM		9.000	05/01	99.5500	+0.100	9.07	8.96	8.81
CANADA *		8.500	04/02	107.1300	-0.400	7.46	7.60	7.92
DENMARK		9.000	11/00	97.1500	+0.150	9.50	9.34	8.97
FRANCE	BTAN	8.500	03/97	96.4878	+0.072	9.45	9.42	8.90
	OAT	8.500	11/02	98.3100	+0.080	9.06	9.08	8.69
GERMANY		8.000	01/02	98.9550	-	8.16	8.08	7.96
ITALY		12.000	05/02	93.8250	+0.775	13.58†	13.89	13.44
JAPAN	No 119	4.800	06/99	98.8750	-0.101	5.02	5.03	5.40
	No 129	6.400	03/00	108.2883	+0.286	4.91	4.90	5.21
NETHERLANDS		8.250	02/02	98.8400	+0.080	8.42	8.38	8.28
SPAIN		11.300	01/02	94.3000	+0.550	12.32	12.27	11.63
UK GILTS		10.000	11/96	101-09	-4/32	9.61	9.37	9.01
		8.750	08/02	102-25	+12/32	9.31	9.10	8.80
		9.000	10/08	98-22	-10/32	9.03	8.91	8.76
US TREASURY *		7.000	05/02	106-05	+20/32	6.63	6.69	6.92
		8.000	11/21	106-24	+10/32	7.42	7.55	7.63
ECU (French Govt)		8.500	03/02	93.7200	+0.270	9.51	9.40	8.88

London closing. *denotes New York closing. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

German finance agency in £100m Eurobond issue

By Tracy Corrigan

KREDITANSTALT für Wiederaufbau, the German finance agency, launched a well-timed £100m Eurobond, which benefitted from Monday's rally in gilt prices, but was virtually sold out ahead of yesterday's market weakness.

The £100m issue due 2008, arranged by Barclays de Zoete

INTERNATIONAL BONDS

Wedd, met strong demand from UK institutions, who bought the deal up quickly. The yield spread of 25 basis points more than the comparable gilt was considered quite attractive, offering a slight pickup over Gefco's recent £100m issue at a 22 basis point yield spread.

The spread on the KFW deal had tightened to 23 basis points by the end of trading, due to the weakness in the gilts market.

Dealers said the continued switching by UK fund managers from equities to bonds is benefitting sterling bond offerings.

There was also some demand from continental Europe, especially Germany, despite continued concerns about the weakness of sterling.

The £100m deal was swapped into floating rate D-Marks (£75m) and floating-rate sterling (£25m). The swaps market is illiquid beyond 10-year maturities, but BZW found a corporate counterparty willing to pay fixed rate over more than 15 years.

Supply of sterling bonds is likely to remain sluggish, despite demand from investors, due to generally poor swap opportunities.

Meanwhile, two more deals emerged in the Australian dollar sector, where demand has been strong since the market rally in the wake of last week's positive news on inflation.

The State Bank of New South Wales launched an A$150m issue of 9 per cent Eurobonds due 2002, arranged by Deutsche Bank, and Provence Alpes-Côte d'Azur, the French regional authority, launched an A$100m seven-year deal via Hambros Bank. Both deals met firm demand, although the State Bank deal performed more strongly due to the higher coupon and the more familiar name. The State Bank deal was bid at less 1½ points, well within fees of 2⅛ points.

However, the deal by Provence Alpes, which launched its first foreign bond in the Swiss franc market in January, also performed well, to trade within fees of 2 points.

● United Newspapers, which publishes the Daily and Sunday Express, has refinanced some of its £400m of debt in the US private placement market. The company has completed a $100m seven-year private placement, arranged by Chase Manhattan. The deal is believed to have been priced to yield 120 basis points above the seven-year US Treasury.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
AUSTRALIAN DOLLARS						
St.Bk.of New South Wales(a)†	150	9	101½	2002	2⅛/1½	Deutsche Bank
Prov.Alpes-Cote-d'Azur(a)	100	8¼	101.2	1999	2	Hambros Bank
STERLING						
KFW Intl. Fin.(a)†	100	9$\frac{3}{16}$	98.833	2008	⅜	BZW
SWISS FRANCS						
Acid Corp(a)**‡	150	8	100⅝	1999	-	Swiss Volksbank

**Private placement. §Convertible. ‡With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable.

Boost to Ecu sector from Bank of England

By Richard Waters

THE BANK of England yesterday gave an important boost to the Ecu securities markets when it announced its intention to build a same-day Ecu clearing and settlement system by next summer.

The development of this key piece of market infrastructure, with the backing of the central bank, was welcomed by market participants yesterday, who said that it would add to London's appeal as a centre for the Ecu financial markets.

The Bank said its new European Settlements Office would be based on an electronic book-entry transfer system, similar to those it already operates for gilts and sterling money market instruments.

The arrangement would help the development of the Ecu markets by strengthening collateralised lending of the currency, encouraging the development of the repo market in *Ecu securities*.

According to the Bank, banks have already given their commitment in principle to join the European Settlements Office. A number have also agreed to provide custodial services.

● Half the Ecu bond market makers yesterday tightened the spreads between their buying and selling prices, repairing some of the damage done to investors' confidence when market makers suspended dealings between each other 12 days ago.

After suspending normal market making for one day, banks had agreed to resume last week at wider spreads to protect themselves in the face of heavy selling of Ecu securities.

Yesterday, spreads for large liquid issues were halved again from 20c to 10c, with quotes being firm for amounts up to Ecu5m. However, the tighter spreads were quoted only by 22 of the 44 Ecu market makers, reinforcing claims by the leading banks that many of their rivals have never been fully committed to *the market*.

Milan awaits the Mif's debut

Haig Simonian looks at a new market in government bond futures

ITALY's new government bond futures market will start trading on September 11, the Italian Treasury announced. This will be two months behind schedule, but still ahead of some dealers' worst expectations.

The new market, which will use the existing screen-based "primary dealers" system for cash trading, comes almost exactly a year after dealings in futures on 10-year Buoni del Tesoro Poliennali (BTPs) started at the Matif in Paris and Liffe in London. While trading in Paris has virtually evaporated, Italian bond futures have become one of Liffe's most successful products. Average trading volumes for Liffe's BTP future were running at 26,755 a day last month, while the exchange registered a new turnover record of 67,625 contracts changing hands on June 3.

The arrival of a futures contract in Italy will mirror the competition that emerged when German government bund futures, devised by Liffe, were introduced on the new *Deutsche Terminbörse (DTB)* in *Frankfurt*. Supported by domestic banks, the DTB last month accounted for around one-quarter of total bund futures trading, against three-quarters in London.

Dealers in Milan doubt the new Italian exchange, dubbed the Mif, will quickly win such a big market share. However, the domestic venture could offer Liffe stiff competition.

Contract specifications on the Mif are very similar to those in London, apart from the contract's nominal value, which is expected to be L250m against L200m in London.

Dealers say the new Italian contract could appeal to a different type of user than that on Liffe. Although two Italian banks are now members of the London exchange and others trade heavily through brokers, it is expected that the new domestic market will be dominated by financial institutions.

By contrast, international banks and fund managers are likely to keep their focus on London, dealers believe. That applies particularly to the handful of investment banks which have developed sophisticated arbitrage techniques between cash and futures markets in different currencies. "With its range of government bond futures, Liffe offers arbitrage opportunities unavailable on a domestic market featuring just one government's debt," said one trader.

The Italian authorities have pushed hard for the creation of a domestic futures market, one of a string of innovations brought in under last year's umbrella law introducing the Societa di Intermediazione Mobiliare (Sim), Italy's stockbroking and fund management body. The Sims law paved the way for the creation of a new clearing house to operate in both the cash equity market and for bond futures, as well as initiating the detailed technical and legal framework for futures trading. Clearing software and technical assistance has come from ICCH, the London-based clearing organisation, while trading software has been prepared by STM, the Canadian company which worked on the cash "primary dealers" market.

Prestige apart, creating a new domestic futures exchange could have important structural consequences for the Italian economy and monetary management. During recent weeks of turbulence in the government bond market caused by doubts about the government's economic policy and uncertainty over the lira, trading in bond futures on Liffe acted as a beacon for the domestic cash market, dictating prices.

With futures markets increasingly setting the pace for cash market trading, it may be that the Bank of Italy preferred to have a futures exchange operating more closely under its wary eye than *in London*.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on August 4

U.S. DOLLAR STRAIGHTS | OTHER STRAIGHTS | DEUTSCHE MARK STRAIGHTS | FLOATING RATE NOTES | SWISS FRANC STRAIGHTS | CONVERTIBLE BONDS | YEN STRAIGHTS

[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	23	42	11
Other Fixed Interest	3	6	6
Commercial, Industrial	208	328	904
Financial & Property	85	98	614
Oil & Gas	12	16	58
Plantations	0	0	9
Mines	17	49	83
Others	44	28	58
Totals	392	567	1,743

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price p	+ or -
100	Nil	11/9	1½pm	¾pm	Finlan	¾pm	
5	Nil	11/8	1pm	¼pm	♦Hobson	¼pm	
385	Nil	9/9	65pm	60pm	Jeyes	[illegible]	
100	Nil	8/9	18pm	8pm	Kode International	[illegible]	
650	Nil	14/9	80pm	66pm	ML Laboratories	66pm	-3
15	Nil	1/9	1½pm	½pm	Marling Industries	½pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. e Earnings based on preliminary figures. [illegible] Forecast or estimated annualised dividend rate, cover based on previous year's earnings. z Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. § Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ♦ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium. ♦ Units comprising 1 Ord. and 1 Zero Div. Pref. share.

TRADITIONAL OPTIONS

● First Dealings Aug. 3
● Last Dealings Aug. 14
● Last Declarations Oct. 29
● For settlement Nov. 9

3-month call rate indications are also shown on this page.

Calls in Cluff Res., Crown Eyeglass, Ibstock Johnsen, Lasmo, Midland & Scottish Res., Premier Cons. and Spring Ram. Double (Put and call) in Premier Cons.

LIFFE EQUITY OPTIONS

[illegible]

Total Contracts 20,495
Calls 13,135 Puts 7,360
FT-SE Index Calls 4,996 Puts 4,106
Euro FT-SE Calls 1,124 Puts 499
Eurotrack 100 Index Calls 0 Puts 0
*Underlying security price. † Long dated expiry months
Premiums shown are based on closing offer prices.

TRADITIONAL OPTION 3-month call rates

■ INDUSTRIALS	p								
Allied-Lyons	49	Comm Union	34	Legal & Gen	29	SmKl Bchm A	60	Aviva Pet	25
Amstrad	6	Courtaulds	43	Lex Service	22	TI	55	BP	18
Astec (BSR)	3	Eurotunnel	32	Lloyds Bank	32	TSB	11½	Burmah Castrol	48
BAT Inds	66	FKI	6	Lonhro	12	Tesco	22	Conroy Pet	8½
BOC	53	FNFC	7	Lucas Inds	12½	Thorn EMI	83	Gaelic Res	½
BTR	35	Forte	18	Marks Spencer	27	T & N	11½	Premier Cons	2¾
Barclays	29	GKN	33	Midland Bank	30	Unilever	70	Shell	35
Blue Circle	24	Gen Accident	38	NatWest Bank	28	Vickers	15	Tuskar Res	½
Boots	34	GEC	17	P & O Dfd	37	Wellcome	75	■ MINES	
Bowater	60	Glaxo	52	Racal Elect	5½	■ PROPERTY		RTZ	47
Brit Aerospace	28	Grand Met	38	RHM	18	Brit Land	18		
British Steel	7	GRE	13	Rank Org	58	Land Sec.	30		
BT	25	Hanson	18	Ratners	3	MEPC	28		
Cadburys	38	ICI	95	Reed Intl	44	Mountleigh	1½		
Charter Cons.	37	Ladbroke	16	Sears	8½	■ OILS			

Shareholders approve planned disposal aimed at reducing debt

Harland Simon acts to restore credibility

By Angus Foster

AFTER NEARLY six months of turmoil Harland Simon, the control systems company, yesterday appeared to have won a breathing space in which to try and restore its credibility with shareholders and customers.

The company, which has seen its market value collapse following unexpected losses and a qualified set of accounts, gained approval from shareholders to sell Vickereys, its specialist blade and equipment maker, for £8.1m to Thermo Fibertek of the US.

The sale, which still requires Office of Fair Trading approval, is the first of several planned disposals. It will reduce Harland's net borrowings of about £12.3m and restore shareholders' funds which, following losses and provisions last year, fell from a restated £18.9m to £8.1m.

The disposal, and the re-appointment of directors and auditors, were passed at Harland's annual and extraordinary meetings yesterday. Unusually, the meetings were closed to the press – a decision described by one of the company's advisers as "rather silly".

According to institutional shareholders present, the meetings were free from acrimony. The only questions asked concerned the large number of Harland board directors, and why Mr George Neophitou, newly-appointed finance director, owned no shares in the company. However, shareholders remain extremely concerned despite a series of briefings by the company over the past few weeks.

"No-one is going to risk knocking the company at this stage. But if it doesn't do what we expect it to in the next few months, we are in trouble," one major shareholder said.

High on the list of priorities are further management changes. Mr Roy Ashman, former chairman and the driving force behind the company, was replaced in February by Mr David Mahony, a former chairman and an industrial adviser to Hambro's, the company's financial adviser.

But Harland's attempts to recruit new non-executive directors, and a new executive chairman, have so far been frustrated by controversy over its relationship with Perfect Information Ltd (PIL), a loss-making information service.

One possible candidate is understood to have become hesitant following adverse comment about PIL, and the failure of Harland's auditors to confirm the ownership of a stake in the company held through a Liechtenstein trust.

The auditors, Price Waterhouse, therefore qualified Harland's accounts because they could not conclude whether PIL was an associate.

Harland has now bought the outstanding stake, taking its holding to 63 per cent. Mr Ashman has retained 27 per cent and is refusing to sell.

Institutional shareholders say a bigger worry is that PIL remains loss-making and finding a buyer will be difficult. One analyst estimated closing down PIL, the other possible option, could lead to further write-downs and restructuring costs of more than £3m.

Harland said yesterday that negotiations had advanced for the sale of Contraves, the electronic control company bought last year. An overseas buyer had begun due diligence on the acquisition, the company said.

Harland's shares remained unchanged at 17p, giving a market capitalisation of just under £3m. Before a profits warning in February, the first indication that the company had problems, the shares touched 653p, giving a market value of £115m.

Mr Mahony repeated an earlier warning that the company may not return to profit this year. But Harland again insisted that its underlying business had not been affected by the collapse in its share price and shareholder criticism.

One institutional shareholder warned that speculation about the effects of Harland's troubles on its business could be self-fulfilling if customers started delaying major orders.

Harland rarely comments on orders before they are won. So far this year the only significant contract announced was a medium-sized order from Royal Mail Parcel Force.

Norton seeks share relisting

By Jane Fuller

NORTON Group, the engineering concern that includes the famous motorcycle marque, is meeting its bank plus brokers and institutions today to discuss the rescheduling of debt and relisting of shares.

The shares were suspended in March last year at 18p after a delay in publishing results and the launching of a Department of Trade and Industry investigation.

Mr Norman Wilson, one of the directors appointed since the suspension, said annual trading losses in Norton Motors, which makes rotary engines and motorcycles, had been reduced from about £2m to £47,000. Pro-Fit Piping Components, a US subsidiary, had made a trading profit.

The relisting was linked with efforts to reschedule the group's borrowings, which amounted to some £6m. Midland Bank is the main lender.

Norton's troubles came to a head with a poorly supported £6.5m rights issue to fund the purchase of FUS Beteiligungs und Verwaltungs, a German fasteners maker. This proved controversial because the vendor was a Channel Islands trust company set up to benefit the children of the then chairman, Mr James Tildesley. He resigned in April last year.

Mr Wilson said FUS – "an albatross around Norton's neck" – had been sold for a nominal amount to get rid of the accompanying liabilities.

The DTI said yesterday that its investigation was well advanced.

18% growth for Admiral

By Alan Cane

ADMIRAL, a Camberley-based computing services company, made sound progress in the first half of 1992 despite tough trading conditions.

Pre-tax profits were 18 per cent ahead at £1.96m while turnover advanced 17 per cent to £13.66m.

Earnings per share rose to 11.6p (10.3p) and the interim dividend has been set at 1.7p, a 13 per cent advance on last year's 1.5p.

The results included a contribution from Computer Business Consultants, which Admiral acquired recently, but Mr Clay Brendish, chairman, said the results represented essentially organic growth.

He said that Admiral had continued to prosper while many other computing services companies were showing reduced revenues and profits because of strong project and business management.

The company specialises in the defence, government and financial services sectors but its commercial and industrial divisions were developing well, Mr Brendish said.

Yorkshire Chemicals downturn to £5.16m

By Roland Rudd

FIERCELY competitive pricing and the weakness of the US dollar was responsible for Yorkshire Chemicals reporting a 3 per cent fall in interim pre-tax profits.

In the six months to June 30 the dyes and specialist materials group saw pre-tax profits fall from £5.33m to £5.16m on increased sales of £48.4m (£44.8m).

Mr Phillip Lowe, chairman, said: "As worldwide economic conditions deteriorated we had to cut prices which affected profitability."

The weakness of the US dollar in the period also affected profits because the bulk of output is manufactured in the UK and sold in dollars.

Phillip Lowe: worldwide downturn led to price cuts

The two divisions worst hit by the recession were Yorkshire Colours, which reported a fall in operating profits from £4.09m to £3.57m, and Yorkshire Americas, which saw profits fall from £488,000 to £345,000. Yorkshire Speciality Products and Yorkshire Australia both achieved advances.

Capital investment in plant and buildings totalled £5.1m against £2.6m previously. The interest charge rose to £563,000 (£490,000) as gearing increased from 13.9 per cent to 17.5 per cent.

The interim dividend has been increased to 2.5p (2.375p). Earnings were up at 9.41p (9.35p).

The shares fell 28p to close at 290p.

Falling raw material costs behind Kalon's 55% rise to £6.2m

By Peggy Hollinger

KALON, the paint group embroiled in a hostile £91m bid for its Wolverhampton rival Manders, announced a 55 per cent increase in pre-tax profits to £6.16m for the six months to December 31.

Mr Mike Hennessy, managing director, said the profits increase had been due to falling raw material prices and improved efficiencies throughout the group.

He rejected accusations that it had achieved windfall profits from one-off price rises led by companies such as ICI.

The group had proved "beyond all doubt that its performance has been sustainable and has been sustained ... This is not a flash in the pan," he said.

Kalon also announced acceptances totalling 6.5 per cent of Manders shares in its 8-for-3 paper offer, extended to August 10.

Mr Roger Akers, Manders chief executive, dismissed the extension in the face of "overwhelming rejection" of the offer. He said the increase in acceptances was "fractional", excluding the undertaking from one institutional investor for 5.93 per cent at the first closing date.

During the first half, Kalon increased sales by 9 per cent to £52.4m. Mr Hennessy said the company had boosted its share of a declining trade paint market as well as increasing its hold on the retail sector, largely through supplying the big DIY retailers.

Operating profits rose from £4.19m to £5.93m, largely due to a 42 per cent increase in decorative paints to £6.01m.

There were three loss-makers: chemicals, industrial coatings and Smyth-Morris in Spain. Mr Hennessy admitted the company's record outside of paints had not been good, and there was some way to go in stemming the losses. But steps had been taken, and losses had been cut by 12 per cent to £242,000 in industrial coatings, for example.

During the first half, Kalon improved its cash position by £7m to £8.1m.

Earnings per share increased from 2.33p to 3.45p. The dividend was raised from 0.7p to 1p.

See Lex

Cupid's cash call flops

By Jane Fuller

MORE THAN 80 per cent of the shares in Cupid's 1-for-2 rights issue were left at the altar for the sub-underwriters to pick up.

The USM-quoted bridal wear company, which includes the Pronuptia retail business, announced yesterday that 18.1 per cent of the 82p-a-share issue had been taken up.

Mr Mike Murray, chief executive, said the result was disappointing, but it came against the background of a falling market between the June launch and the closing date.

Cupid's share price closed down 2p at 79p yesterday. On the day the £2.68m issue was announced it shed 5p to finish at 90p.

Mr Murray said the money was raised to finance retrospectively last winter's purchase of the Youngs formal wear business from the receiver. That had pushed up borrowings to £4.2m – gearing of 93 per cent.

The issue proceeds would wipe out debt during the current favourable period for cash. Gearing would rise to about 24 per cent by the seasonal low in December. That would leave the group scope to expand its nursery accessories business into the "hardware" side of cots and prams.

The issue was underwritten by BZW and sub-underwriters included Clerical Medical & General and South Yorkshire Pension Fund.

Last year Cupid made a pre-tax profit of £962,000 on turnover of £14.7m.

NEWS DIGEST

Dudley Jenkins rises 37%

DUDLEY JENKINS Group, the USM-quoted supplier of direct mail services, continued its recovery in the year to April 30 with full-year pre-tax profits of £466,000.

Mr Tylan Bahchell, chairman, said the results had been achieved "through flexibility, cost control and simply working harder".

The profit was a 37 per cent increase on last year's £340,000, which included a net compensation for fire losses of £135,000. Turnover rose slightly from £8.8m to £9.01m.

Since the year end the acquisition of Market Location has been completed and £2.4m has been raised through a rights issue. Some of the proceeds covered the cash element and debts relating to the acquisition as a repayment of borrowings, but a large proportion will be kept for expansion.

Earnings worked through at 4.51p (3.63p). A proposed final dividend of 2.65p makes an unchanged total of 4p.

Radiant Metal reduces loss

Radiant Metal Finishing reduced its losses from £169,002 to £94,505 pre-tax for the year to February 28. Turnover was static at £807,571.

Tax credits of £34,976 (£26) left a retained loss of £59,529 (£168,976).

Acquisitions help Lilleshall to £1.83m

Acquisitions made over the past 18 months helped Lilleshall, the building products, plastics and engineering group, to a pre-tax profit of £1.83m in the half year ended June 30 1992, a 46 per cent advance over the previous £1.25m.

Sales rose 58.5 per cent to £25.5m (£16.1m).

Operating profit rose to £1.85m (£808,000) with building products accounting for £1.21m (£1.09m), and plastics and engineering £1.04m (£282,000). Industrial consumables cut its loss to £123,000 (£286,000) and central costs took £277,000 (£275,000).

The pre-tax outcome included £85,000 (£172,000) profit on the disposal of investment properties.

Earnings per share came to 5.6p (4.4p) and the interim dividend is 1.6p (1.5p).

Edinburgh Oil tumbles to £5,000

Edinburgh Oil & Gas, the USM-quoted oil and gas exploration and production group, reported a drop in net profits from £234,000 to £5,000 in the half year to June 30 after a tax charge of £1,000.

The result was in spite of an 18 per cent advance in turnover to £851,000 (£717,000) and was because of a higher depletion charge and higher administration expenses due mainly to a lower level of activity on the operated licences. Also, profits last time benefited significantly from the sale of investments.

Earnings per share amounted to 0.02p (1.35p).

Kleinwort High assets top 74p

At June 30 1992, Kleinwort High Income Trust had produced a net asset value of 110.72p per zero dividend preference and 74.3p for each ordinary share.

The trust, which started trading on July 8 1991, saw gross revenue reach £3.57m by June 30 1992, and earnings come out at 8.64p.

The fourth quarterly dividend is 1.875p for a total of 7.5p, in line with the forecast.

Pacer halves to $320,000 at midway

Pacer Systems, the US-based electronics and aerospace company quoted on the USM in London, yesterday reported a 50 per cent drop in pre-tax profits to $320,000 (£168,000) for the six months to June 30. Sales rose 4 per cent to $14.5m.

Mr Jack Rennie, chairman, said profits had been depressed by higher-than-normal marketing and proposal costs. The group currently had proposals out for about $90m-worth of business, he said. Some of this would begin to feed through in the second half.

The dearth of proposals resulted in a 5 per cent drop in the order book to $55m.

Earnings per share fell from 7 cents to 4 cents. The dividend was maintained at 3 cents.

Unilever to expand hair care activity

Unilever has reached an advanced stage in negotiations to acquire Andrelon Cosmetics, a Netherlands-based producer of hair care products.

The consideration is not significant in relation to Unilever's assets.

Law Debenture asset value ahead

Law Debenture Corporation had a net asset value per share of 444.8p at June 30 – ahead from the 426p value a year earlier and 426.3p at December 31.

For the six-month period net revenue rose by 16 per cent to £2.11m (£1.82m) for earnings of 9.26p (7.98p). The interim dividend is lifted to 6.25p (6p). Directors said they hoped the final would be no less than the 11.5p paid last time.

Change of control at Malaya Group

Mr Nicholas Lancaster, who built up the Lancaster group of motor dealerships with his father, is to join the Malaya Group of Mercedes-Benz dealers as managing director.

Malaya is to come under the control of Lancaster Associates Holdings in proposals announced for the injection of £3m net new capital, and new management expertise, and the simplification of the capital structure.

The Giltrap Group recently acquired voting control of Malaya through the purchase of preference shares. Mr Colin Giltrap proposed to increase his management role which, it was hoped, would lead to a revival of the group's fortunes. In the event, he has decided on the need for more funding and new management initiatives.

The preference shares are being converted into ordinary. There will be a 2-for-1 rights issue of 17.1m ordinary shares at 10p and the Lancaster Associates will subscribe for 15m shares at 10p.

Giltrap has renounced its 7m rights shares in favour of Lancaster Associates, which is underwriting the issue. Giltrap will finish with some 20.6 per cent of the enlarged capital while Lancaster Associates will hold between 54 per cent and 69 per cent, depending on the underwriting needs.

Of the funds being raised, £1.17m would reduce group indebtedness, £600,000 would be used to purchase additional used cars, and £1.23m, together with a bank facility of £800,000 agreed in principle, would be available to buy further franchised dealerships.

BOARD MEETINGS

TODAY

Interims- British Alcan Aluminium, Chieftain, GKN, Smith & Nephew, Standard Chartered, Wickes.

Finals- Baxter Hunter, Resort Hotels, Williamson Tea, Zotters.

FUTURE DATES

Interims-

Barr & Wallace Arnold Tst	Sep. 3
Bensons Crisps	Aug. 12
Blagden Inds.	Aug. 13
Fairhaven Intl.	Aug. 13
Glynwed Intl.	Aug. 13
Hambro Countrywide	Aug. 27
Johnson Group Cleaners	Aug. 13
Kode Intl.	Aug. 20
Micro Focus	Aug. 18
Moorfield Estates	Aug. 12
Nichols (JN) (Vimto)	Aug. 12
Plessey	Aug. 17
Queens Moat Houses	Aug. 12
Wimpey (George)	Sep. 8

Finals-

Batleys	Aug. 11
Glaxo	Sep. 10
Guardian Royal Exchange	Aug. 28

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Admiral	int	1.7	Oct 5	1.5	-	4.8
Dudley Jenkins	fin	2.65†	Sept 18	2.7	4	4
Kalon	int	1	Oct 1	0.7	-	2.2
Kleinwort High	fin	1.875	Oct 2	-	7.5	-
Law Debenture	int	6.25	Oct 1	6	-	17.5
NatWest	int	6.125	Oct 9	6.125	-	17.5
Pacer Systems §	int	3‡	Dec 15	3	-	6.5
TI	int	3.7†	Oct 9	3.5	-	10.25
Yorkshire Chems	int	2.5	Oct 9	2.375*	-	7.25*

Dividends shown pence per share net except where otherwise stated. *Adjusted for scrip issue. †On increased capital. §USM stock. ‡US cents.

COMPANY NEWS: UK

Looking to the future as present put on hold

Andrew Baxter returns to the FT Six and finds earlier optimism about the recession has been dampened

"We're getting plenty of inquiries, but that's because a lot of our customers have plenty of time. They've b—— all else to do."
"The General Election is well and truly forgotten, and there doesn't seem to be any residual euphoria."
"The UK market is as dead as dead can be."

THESE GLOOMY statements come from three of the six engineering companies taking part in an occasional *Financial Times* survey tracking the sector out of the recession.

They confirm the recent evidence from manufacturing industry on the outlook for the domestic market. It may not be worsening, but there is a long haul to recovery.

Encouragingly, though, this second instalment in the series, which began on April 14, finds the six companies have maintained their new product development programmes, clearly mindful of the old adage that new products sell better in a recession than more established lines.

The first article, published a few days after the election, had ended on a hopeful note. JCB had taken on about 100 new workers at its main Rocester plant in preparation for an expected increase in orders.

There were seasonal factors behind JCB's move, but along with the other five companies it was also hoped that the Tories' election win would spark their markets into life. Sadly, said Mr Gilbert Johnston, deputy chairman, "the hope has not come to fruition".

Indeed last month's forecast from the Engineering Employers Federation, postponing any marked upturn in engineering output by as much as six months to late this year, is echoed by the FT Six. Similarly, their forecasts of reduced job cuts fit in with the EEF prediction.

"I still think there will be some small improvement in the second half of this year," said Mr Colin Gaskell, managing director of 600 Group, "but six months ago I would have predicted much stronger growth."

The past three months have brought a number of important developments:

● **Rationalisation** – Fenner (which halved its interim dividend) is closing some of its transmission manufacturing operations in Hull with the loss of 200 jobs. Smaller job cuts have been made at 600 Group and Senior, and a reorganisation in Bloxwich's automotive business has cost 20 jobs.

● **Investment** – Senior announced a projected £8m investment in a new company, Flexonics Automotive, within its engineering products business area. Supported by the Welsh Development Agency, the company will produce a range of stainless steel fittings for vehicle exhausts from a site at Crumlin, Gwent, employing up to 260 people

● **New products** 600 Group unveiled a string of new machine tools and accessories at the Mach '92 show in May. Fenner unveiled an innovative range of water-powered motors for fire-fighting and other applications. Posiva has won its first UK orders for sophisticated gearboxes and couplings for windmills.

The details, naturally, vary, but for six very different companies there is broad agreement on the outlook and similar emphasis on the crucial importance of product development to maintain competitiveness.

It was hoped the Tories' election win would spark their markets into life. "Sadly the hope has not come to fruition"

BEL

Mr Peter Burton, chief executive of Bloxwich, is feeling mildly optimistic, although he admits he is "not terribly thrilled" by current market conditions.

The optimism stems from the encouraging reception for new products including door checks and hinges. The company is also seeing benefits from its investment 12 months ago in new dies in its forge.

Irrespective of the election result, Mr Burton said there had, by necessity, been some restocking by customers. He would be watching closely in case this petered out in the autumn.

Over the next six months, he foresaw "some gentle progress", fuelled particularly by the introduction of car models, for which Bloxwich is supplying parts.

JCB

Mr Johnston sees no sign of improvement in the UK market, but remarks that the government does not, in any case, have much room for manoeuvre on economic policy. JCB continues to be buoyed by European business, and in particular the strength of the German market, along with new products that have helped the company gain market share. "Everything we've offered we've got right," said Mr Johnston.

JCB's new hydraulic crawler-excavators, supplied by Sumitomo of Japan, have already taken market leadership in the UK and the Staffordshire company's own new products, such as its updated backhoe-loaders and its Fastrac high-mobility vehicle, had been well received.

"We'd have been bemoaning our fate had it not been for new product launches," he said. Product development times had been trimmed by as much as 18 months with some slick "simultaneous engineering". JCB hoped for further reductions of six to 12 months, bringing the cycle down to two years.

The company took on a total of 140 new employees in the spring, and may have to trim its temporary workforce if there is no upturn in UK market conditions.

SENIOR

Conditions in Senior's engineering products division were "still very much the same in general terms," said Mr John Bell, group chief executive, although there were some sectors where volume was beginning to improve.

Immediate prospects were improving in the automotive industry, an important market for Senior, and the company had also picked up contracts in the construction sector because of the specialist nature of its products.

Broadly, however, Mr Bell did not expect a marked improvement in the UK market for some considerable time. Dozens of jobs had been cut in the past three months, and the employment trend could still be downwards, but further wholesale reductions were not expected.

New product development had increased emphasis on extending the range. "It's relatively easier to get 5 per cent of a new market than to get another 5 per cent of a business where you've got a 40 per cent share already," he said.

Fenner

Mr Peter Barker, chairman, saw very little change in the UK market, but noted that the recession was going on longer than anticipated. As at Bloxwich, the automotive components business was getting stronger, but the immediate general outlook was for steady improvement rather than recovery.

The job cuts at Hull, he said, were part of the long-term restructuring of the UK workforce that had already reduced the headcount by 20 per cent since the start of the recession.

The benefits from restructuring the cost base would come through when the upturn arrived.

Meanwhile, the company stands at what Mr Barker calls "a very exciting threshold" with its new water hydraulics range.

Its water-powered fire rescue equipment, marketed by Godiva, is attracting the attention of fire brigades and aviation authorities, and, via co-operation with other industrial partners and Hull University, Fenner has emerged as a world leader in using water to work mechanical equipment.

posiva

Mr Reg Bricknell, chief executive of this German-owned company, said first-half turnover had fallen by 18 per cent – "not bad" – but the company was having to fight harder in a contracting market.

Mr Bricknell said the company was benefiting from recent refocusing, and from moves to push the refurbishing side of the business which had improved considerably in recent months. Although he did not expect a marked improvement in conditions until next year, he hoped the appointment of two experienced new salesmen would start to bring a pay-back in the remainder of this year.

Sales of gears to the textile equipment industry have been flat but Posiva has scored some successes – last month it said its gears had been chosen by Smith Engineering for two new textile machines because of novel characteristics giving precise control of speed, tension and pressure.

THE 600 GROUP

Amid gloom in the UK machine tool industry, Mr Gaskell saw some signs of upturn in the US and Australia but no change overall at home. "In April we saw a bit of an upturn, but in May it all disappeared again."

He did not forsee any marked improvement in the UK until real interest rates came down from their present level of about 6 per cent, because, he said, "nobody can afford to borrow".

The company had shed a further 50 or 60 jobs during the past three or four months, reducing the workforce by nearly 1,000 to 1,800 in the 18 months since Mr Gaskell joined the company.

Cost savings of between £12m and £13m were made last year and more were still coming through.

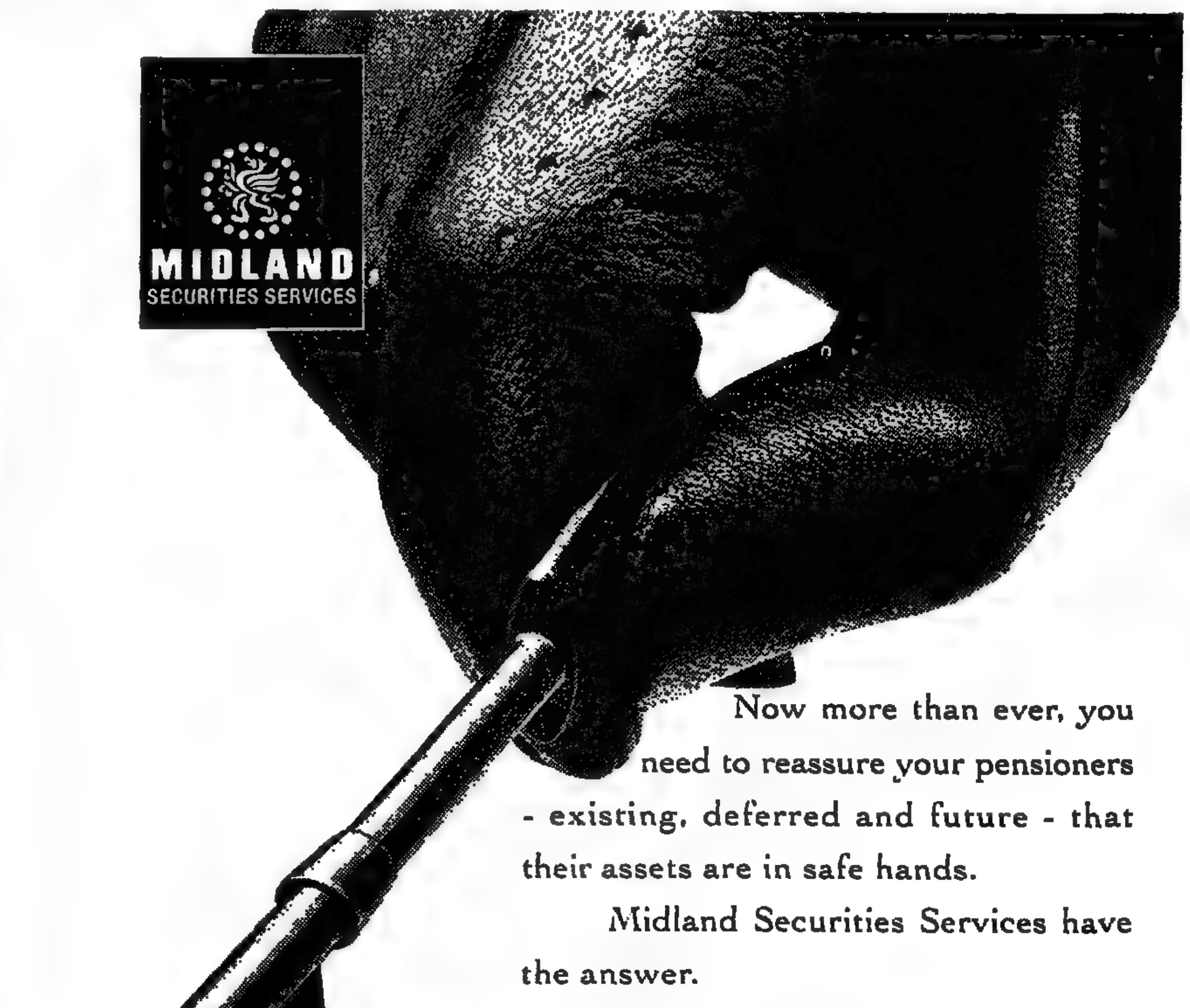
The new product development programme had been maintained, although research and development staff had been reduced, and the company was trying to broaden its external sources of new product ideas.

"It's been a struggle," said Mr Gaskell, "but at least we've survived. And we're not in hock to our banks like some of our competitors."

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Previous Price for trading on [illegible]: Pool purchase price £/MWh	Pool Prices for trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.71	19.30	19.30
0100	17.71	18.00	18.00
0130	17.70	17.80	17.80
0200	17.70	17.80	17.80
0230	17.70	17.80	17.80
0300	17.70	17.80	17.80
0330	17.70	17.80	17.80
0400	17.70	17.80	17.80
0430	17.70	17.80	17.80
0500	17.70	17.80	17.80
0530	17.80	17.70	17.70
0600	17.71	17.70	17.70
0630	20.17	18.00	18.00
0700	20.87	[illegible]	23.97
0730	22.72	26.13	27.38
0800	23.99	25.98	27.90
0830	26.13	28.02	30.26
0900	26.44	28.05	30.26
0930	26.44	28.10	30.28
1000	27.98	28.11	30.29
1030	27.98	28.13	30.29
1100	26.44	28.14	30.29
1130	26.44	28.17	30.32
1200	26.44	28.17	30.32
1230	26.44	28.14	30.38
1300	26.44	28.10	30.24
1330	26.27	28.04	30.17
1400	25.62	28.02	30.15
1430	25.62	28.01	30.15
1500	25.62	28.01	30.14
1530	25.62	28.01	30.18
1600	25.62	28.03	30.18
1630	25.62	28.07	30.23
1700	27.98	28.08	30.21
1730	27.98	28.08	30.19
1800	27.98	28.01	30.21
1830	24.81	27.98	30.16
1900	24.48	25.68	27.82
1930	23.91	25.13	27.28
2000	23.91	24.52	26.67
2030	19.02	24.52	26.68
2100	22.72	23.84	25.98
2130	20.73	23.84	25.98
2200	20.73	27.88	30.15
2230	20.73	28.00	30.17
2300	22.72	28.00	30.27
2330	21.52	23.84	26.01
2400	20.87	21.82	23.94

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined, approximately twenty-four days after the day of trading. Accordingly, due to the possibility of such revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone [illegible] between 8.30am and 5.30pm Monday to Friday.



COMMODITIES AND AGRICULTURE

Amoco signs Romanian oil and gas exploration deal

By Virginia Marsh in Bucharest

AMOCO OF the US has signed a 25-year oil and gas exploration and production-sharing agreement with Rompetrol, Romania's state oil company, as part of the country's first post-communist exploration deal, the companies announced in Bucharest yesterday.

The agreement gives Amoco Romania Petroleum, a subsidiary of Amoco Production Company, rights to a 750 sq km (290 sq miles) area in the Carpathian Mountains about 60 km (37 miles) north-east of Bucharest, which Amoco won after an international tender in September 1990.

A Canadian Occidental/Enterprise Oil combine, which won two offshore sites in the Black Sea and, Shell, which successfully bid for an area in Transylvania, are due to sign similar contracts within the next 10 days. The western companies are expected to invest about $90m in the next three years as part of an initial five-year exploration period.

However, Rompetrol said developing the sites in the event of commercial finds could could cost more than $2.4bn.

Rompetrol retains the right to acquire up to 20 per cent in any development, with the western companies, which have received substantial tax concessions from the Romanian government, free to export their share of production.

Mr David Work, vice-president of Amoco Production, said the agreement was consistent with the company's strategy of investing in areas with known hydrocarbon potential.

The deal, which was held up for several months until the Romanian parliament passed enabling legislation, is Amoco's first exploration agreement in central Europe.

Existing wells in Romania, historically one of central Europe's major oil-producing areas, were heavily exploited under the Ceausescu regime. However, the dictator's obsession with paying off the national debt kept the Romanian oil industry short of funds for further exploration, contributing to a drop in domestic crude oil production from more than 12m tonnes in 1979 to 6.8m tonnes last year.

SAGA PETROLEUM, Norway's biggest independent oil producer, said yesterday its Snorre oil and gas field had come on stream six weeks earlier than planned and NKr1.5bn (£135m) below budget at a cost of NKr16.6bn, writes Karen Fossli in Oslo. Recoverable oil reserves are put at 770m barrels. Production will be gradually built up beyond 100,000 barrels a day by the end of the year, by which time production from a seabed installation will have come on stream, allowing production capacity of 190,000 b/d to be reached early next year.

Snorre is providing Saga's first production from a field that it operates. It has been developed with the Norwegian North Sea's first tension leg platform, the biggest of its kind in the world. Oil and gas is processed at the nearby Statfjord field, with oil tanker loaded and gas exported further via the Statpipe line to the European continent.

NZ fears Chinese wool boost may not last

Prices are holding last season's gains but the outlook is unclear, writes Terry Hall

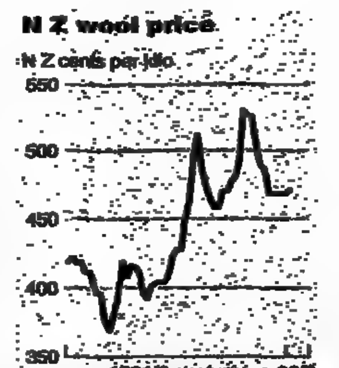
THE NEW Zealand wool season has begun with prices holding on to the gains achieved last season. But the Wool Board warns that the surge in Chinese demand that did much to fuel last season's price recovery may not be maintained this year.

Last season was seen as a turning point. Though farmers' returns were generally lower than in the previous season because of the loss of the minimum price support scheme, the season's average price rose 4 per cent from 422 to 437 NZ cents (£1.25) a kilogram.

Looking ahead, the board says the demand outlook from developed countries appears positive in the new season, though growth rates will remain low. Allowing for the 10 per cent devaluation of the New Zealand dollar since last December, prices of New Zealand wool have not increased significantly in overseas currency terms, enabling it to maintain its price competitiveness with artificial fibres.

The board expects the supply of New Zealand wool to drop slightly with a fall in production and a continued reduction of stockpiled wool from board stocks. In its annual review, it says much will depend, as in the past, on the centrally-planned economies.

"The Chinese economy is in danger of overheating as it did in 1988, which suggests their high level of purchases last season may not be maintained." This would particularly affect prices of medium micron wools.



Sales to Russia are likely to depend on the availability of credit, while exports to the Indian subcontinent may also decline as demand for hand-knotted rugs eases in developed countries.

"However, these negative factors are expected to be offset by increased demand from the developed economies as they emerge from recession" the board says.

The season began on a weak note in July because of the suspension of the minimum price scheme in February and worries about high stocks and world recession. Prices deteriorated rapidly, hitting a 45-year low in October of 369 NZ cents a kilogram. If prices had stayed at that level wool farming would have become uneconomic.

Devaluation of the currency and better demand saw prices begin to firm, reaching peaks of 515 cents a kilogram in late February and 530 cents in late April before dropping back to close the season in June at 468 cents. In the first sale of the new season on July 31 the index closed at 471 cents.

The high level of prices at the time of the seasonal production peak, which surprised traders, was caused by short-term hiccups in supply and unexpectedly strong demand. In part, this appeared to be because European manufacturers needed to buy to keep their mills going at a time when they were keeping their stock positions low because of the recession.

The second peak of the season in April and May coincided with the announcement that the board was negotiating a sale to Russia, formerly one of New Zealand's most important customers. The board says the prospect of the sale and its effect on prices then is an indicator of what will happen when the former Soviet republics eventually return to the market.

The Russian sale, from board stocks, has yet to be finalised. The agreement in principle followed the signing of western loan agreements with Russia, and it was expected that the board would be able to sell 16,000 tonnes of wool, worth NZ$100m.

The board says the recovery occurred in spite of negative influences. Economic growth rates in western economies remained low, while the Commonwealth of Independent States purchased minimal quantities during the season. However, the New Zealand industry managed to sell a greatly increased volume of wool.

As production fell 3 per cent, the board reduced its stockpile from 72,000 to 53,400 clean tonnes. The provisional figure for wool production last season shows a 3 per cent drop to 221,000 clean tonnes. Total sales at auction dropped 9 per cent while private sales rose 18 per cent, taking their share of the market to 27 per cent.

Sheep numbers fell 5 per cent to 54.3m, the lowest since June 1965. Provisional trade figures show wool exports rose 22 per cent to 230,000 clean tonnes, worth 12 per cent more at NZ$1.06bn. Wool product exports also rose 12 per cent to bring the grant total to NZ$1.307bn. Wool was New Zealand's third largest export after meat and dairy products. China dominated the market taking 21 per cent of all exports buying 48,000 tonnes, while some of the 10,000 tonnes shipped to Hong Kong also went to China.

Australia's struggling wool industry was dealt another blow yesterday when South Australian police said they were investigating allegations of a substitution racket involving wool destined for export, reports Reuter from Sydney.

Police said documents were seized from premises in Port Adelaide on Tuesday but no charges were laid.

The alleged fraud involves the substitution of poorer grades of wool for fine grades stored in a warehouse after sale. Details were not released.

But a senior official of the Australian Wool Corporation said the allegations could not have come at a worse time for the industry, which has been hurt by world recession, fashion changes and weak demand from China and Eastern Europe.

"Anything that has the potential to cause customers of our product to be apprehensive about its use is something which stands to cause us damage," said Mr Peter Wallace, the AWC's general manager of industry services. "Markets are clearly sensitive to information which questions the quality of the product."

UK aluminium can recycling rate increases to 16 per cent

By Kenneth Gooding, Mining Correspondent

ALUMINIUM CAN recycling rates in the UK increased sharply in the first quarter of this year, from 11 per cent to about 16 per cent, according to the Aluminium Can Recycling Association.

The industry expects the pace of improvement to continue because the last of seven regional centres planned for the UK, where scrap merchants and other collectors are able to exchange cans for cash, opened for business this week.

The new infrastructure was needed to feed a £28m dedicated aluminium can recycling facility at Warrington, in the north of England, established last year by Alcan of Canada – the first of its kind in Europe.

In the whole of last year Warrington processed 2,180 tonnes of used cans among other aluminium scrap collected by Alcan.

The dedicated, which started up in October and ultimately will be able to process 50,000 tonnes of used cans, already has handled 2,259 tonnes of recycled cans from the UK in the first half of this year. The rest of its feedstock is imported, mainly from the US.

The UK's seven new regional "aggregation centres" enable merchants to take 250 kg loads of used cans to collection points close by instead of having to deliver to Warrington or to the Swansea collection centre operated by the Aluminium Company of America (Alcoa). Merchants get the same "factory gate" price as paid at the Warrington facility and receive their cash seven to 10 days after delivery.

Acra suggests this should enable more of the UK's used aluminium cans to be drawn into a "closed loop" system where the special alloy used for can-making is used over and over again for cans instead of being downgraded and used in other products.

The European aluminium industry has set itself a target of recycling 50 per cent of all aluminium cans by the mid-1990s. Acra says that in those areas of the UK where extra promotional effort has been made – such as Warrington and Swansea – recycling rates have been above 40 per cent.

Last year about 21 per cent of all aluminium cans consumed in Europe were recycled, twice the percentage in 1987. Sweden, which has a mandatory deposit scheme on cans, had the highest recycling rate, 85 per cent, followed by Iceland, 75 per cent, and Switzerland, 50 per cent.

Remalt plants for used aluminium cans are operated by Granges in Sweden (15,000 tonnes a year); VAW in Germany (20,000 tonnes); Elval in Greece; and Alcan in Italy. Reynolds is bringing a 60,000 tonne-a-year unit into production at Venafro, Italy, where one of the lines will process cans. Pechiney is investing in two units, at Neuf-Brisach and at Nogueres with an annual capacity of 15,000 tonnes each.

About 32,350 tonnes of aluminium cans were recycled in Europe last year (up from 25,000 tonnes in 1990) and so the industry is putting plenty of capacity in place for the expected recycling growth.

Efforts to promote that growth and to provide the necessary infrastructure are being co-ordinated by Acre (Aluminium Can Recycling Europe) formed in 1984 by Alcan, Pechiney of France and VAW of Germany. Alcoa and Reynolds of the US, joined in 1988, as Alusuisse-Lonza, Hydro Aluminium and Elval agreed to provide support in their domestic markets.

Indian sugar mills await further export release

By Kunal Bose in Calcutta

INDIAN SUGAR mills are awaiting cabinet approval for the release of a further 500,000 tonnes of exports during the current year. The proposal by the Indian Sugar Mills Association to export this additional quantity has already been approved by the ministries of commerce and food.

Indian sugar exports so far this year amount to 275,000 tonnes. Last year the country exported 525,000 tonnes.

In a recent submission to the prime minister's office, ISMA said that in view of the bumper production of 13.4m tonnes of sugar during the 1991-92 (October-September) season, compared with 12m tonnes last year, India could easily export up to 1m tonnes, worth about Rs8bn (£140m).

"Even though export is a losing proposition for the industry, we must sell 1m tonnes abroad to manage the surplus," said Mr Om Dhanuka, spokesman for ISMA.

The Indian Sugar & General Industry Exim Corporation, which handles exports for the industry, has sold to buyers in Sri Lanka, Indonesia, Egypt, Saudi Arabia, Yemen, Kenya, Bulgaria and Russia.

Bumper sugar production for three consecutive years has convinced the federal government that India must remain a regular exporter of the commodity. The long-term export strategy that is being formulated will provide for a minimum export every year, irrespective of the size of sugar production. According to Mr Dhanuka, the government accepts that foreign buyers must see India as a regular source of supply.

The government believes that for the strategy to be effective it will have to provide for the creation of a buffer stock and import of sugar in times of shortage.

According to ISMA, the government should create a buffer stock of 1m tonnes out of more than 4m tonnes of sugar to be carried over into 1992-93. Maintaining the stock would not strain government finances as there is already a levy of Rs9 a quintal (100 kg) on the industry for the purpose.

Jute sales authorised despite short crop

By Kunal Bose

IN SPITE of a big drop in the raw jute crop because of the near absence of pre-monsoon showers, the Indian government is allowing shippers to export up to 150,000 bales (180 kg each) to hard currency areas during the 1992-93 (July-June) season.

According to Mr R.N. De, the jute commissioner, the objective is to make India, which is the second largest exporter of jute goods after Bangladesh, a regular exporter of raw jute.

The government has stipulated that medium and inferior grades must comprise at least 80 per cent of cut jute exports and 75 per cent of uncut exports. This makes exporting a difficult proposition, says Mr Shankar Ladia, spokesman for the shippers. And foreign buyers do not like the idea of the Jute Corporation of India, a government undertaking, being the sole agency to certify the "quality, condition and weight of export consignments".

The only thing in the shippers favour is that international jute prices are higher than Indian domestic prices.

Last year India could ship only 11,000 the 200,000 bales sanctioned because there was hardly any demand for medium and inferior grades. While last year, the entire quantity was sold to the US and European buyers, Mr Ladia thinks India can find buyers for jute in Pakistan, Indonesia, Thailand and Egypt. An Indian jute team will soon be visiting Pakistan, according to Mr De.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,720-1,745 (1,715-1,745).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.30-2.60 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 0.70-0.90 (0.75-0.95).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 20.00-22.00 (20.50-22.50).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 135-150 (140-160).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.35-2.40 (same).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.90-5.50.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 58-62 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, cif, 2.06-2.15 (same).

URANIUM: Nuexco exchange value, $ per lb, U_3O_8, 7.75 (same).

LME WAREHOUSE STOCKS (As at Monday's close) tonnes

Aluminium	+2,075	to 1,318,250
Copper	-4,600	to [illegible]
Lead	+1,[illegible]	to 150,400
Nickel	+426	to 34,986
Zinc	-675	to 340,600
Tin	[illegible]	to 14,[illegible]

WORLD COMMODITIES PRICES

MARKET REPORT

London COCOA prices rose on the back of an overnight surge in New York, which also opened steadier than expected yesterday. The market's continued strength was even more remarkable given talk of origin sales – perhaps 25,000 tonnes of Ivorian cocoa and some Ghanaian. On the LME three-month COPPER prices continued to meander around $2,500 a tonne. A decline of 4,600 tonnes in warehouse stocks to 15-month lows aided sentiment as withdrawals were expected to tail off during the summer. TIN clawed back some lost ground in the afternoon; three-month metal closed above earlier eight-week lows of $6,650 a tonne, but prices remained soft, with the market depressed by speculative selling and a lack of consumer purchases. GOLD and PLATINUM showed little movement on the London bullion market as the second day of the strike in South Africa spurred no new buying. Overnight news that Uruguay's Central Bank had sold 50,000 ounces of gold in July for about $17.9m created no impact although the bank said it was part of a new policy of converting its gold reserves into dollar and mark denominated fixed-term deposits.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$17.75-7.85y	-0.40
Brent Blend (dated)	$19.70-9.80	-.525
Brent Blend (Sep)	$19.90-9.95	[illegible]
W.T.I (1 pm est)	$21.25-1.30y	-0.50
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$222-225	[illegible]
Gas Oil	$177-178	-3.5
Heavy Fuel Oil	$83-85	-2
Naphtha	$188-189	-5
Petroleum Argus Estimates.		
Other		+ or -
Gold (per troy oz)♣	$352.75	-0.75
Silver (per troy oz)♣	388.0c	-4.0
Platinum (per troy oz)	$376.25	-3.25
Palladium (per troy oz)	$86.50	-1.75
Copper (US Producer)	116.50c	+0.17
Lead (US Producer)	39.0c	-0.63
Tin (Kuala Lumpur market)	16.95r	-0.02
Tin (New York)	307.5c	-4.0
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	110.15p	-1.28*
Sheep (live weight)†♣	75.49p	+3.26*
Pigs (live weight)†	81.02p	-1.42*
London daily sugar (raw)	$264.0w	-0.6
London daily sugar (white)	$293.5w	-1.0
Tate and Lyle export price	£247.0	+1.0
Barley (English feed)	£118.5z	
Maize (US No 3 yellow)	£151.5	
Wheat (US Dark Northern)	Unq	
Rubber (Sep)♥	50.50p	
Rubber (Oct)♥	50.50p	
Rubber (KL RSS No 1 Jul)	221.0r	
Coconut oil (Philippines)§	$492.5t	-30.0
Palm Oil (Malaysian)§	$370.0y	+2.5
Copra (Philippines)§	$327.5	-2.5
Soyabeans (US)	£127.4y	
Cotton "A" index	61.45c	+0.10
Wooltops (64s Super)	380p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. t-Oct/Nov w-Aug/Sep y-Sep z-Oct/Dec. †Meat Commission average fatstock prices.* change from a week ago ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Oct	212.00	213.60	213.00 211.80
Dec	206.00	209.00	205.20 205.00
Mar	204.80	205.00	206.40 204.40
White	**Close**	**Previous**	**High/Low**
Oct	267.00	266.50	268.70 266.50
Dec	262.50	263.70	[illegible]
Mar	266.00	267.70	267.00 266.00
May	269.50	271.70	[illegible]
Aug	274.50		274.00

Turnover: Raw 183 (233) lots of 50 tonnes. White 618 (238) Paris- White (FFr per tonne): Oct 1343.32 Dec 1331.80

CRUDE OIL – IPE ($/barrel)

	Close	Previous	High/Low
Sep	20.14	20.21	20.18 19.85
Oct	20.16	20.21	[illegible]
Nov	20.16	20.18	20.15 19.93
Dec	20.12	[illegible]	20.12 19.90
Jan	19.92	20.01	19.92 19.81
IPE Index	20.33	20.37	

Turnover 35239 (16182)

GAS OIL – IPE ($/tonne)

	Close	Previous	High/Low
Aug	180.75	184.00	182.25 180.50
Sep	183.25	186.50	184.75 182.75
Oct	186.25	189.00	[illegible]
Nov	188.75	191.50	189.00 187.75
Dec	190.00	192.75	190.50 189.00
Jan	189.25	191.50	[illegible]
Feb	165.50		165.75 165.25
Apr	170.00	181.00	175.00 170.00

Turnover 17103 (10193) lots of 100 tonnes

JUTE
August/September c and f Dundee BTC $385, BWC $405, BTD $365, BWD $370; c and f Antwerp BTC $380, BWC $380, BTD $356, BWD $355.

COTTON
Liverpool- Spot and shipment sales for the week ended July 31 amounted to 128 tonnes against none in the previous week. Subdued offtake did not bring many operations. Support was forthcoming in certain specialists styles notably in the west African and Russian range

COCOA – London FOX (£/tonne)

	Close	Previous	High/Low
Sep	642	615	643 625
Dec	672	643	674 658
Mar	699	673	700 686
May	716	691	715 706
Jul	736	710	734 726
Sep	762		760 745
Dec	782	754	782 765
Mar	807	782	809 795
May	830		824

Turnover: 11278 (2351) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Aug 3 791.01 (784.34) 10 day average for Aug 4 772.88 (765.07)

COFFEE – London FOX ($/tonne)

	Close	Previous	High/Low
Sep	730	732	738 727
Nov	751	752	756 747
Jan	767	767	770 761
Mar	789	783	785 777
May	801	794	794 793
Jul	811	812	813 811
Sep	856	835	835 830

Turnover 1998 (1145) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Aug 3: Comp. daily 47.19 (47.29) 15 day average 48.73 (48.88)

POTATOES – London FOX (£/tonne)

	Close	Previous	High/Low
Apr	68.0	70.5	71.5 67.5

Turnover 132 (58) lots of 20 tonnes

SOYAMEAL – London FOX (£/tonne)

	Close	Previous	High/Low
Oct	-	118.50	

Turnover 0 (175) lots of 20 tonnes.

FREIGHT – London FOX ($10/index point)

	Close	Previous	High/Low
Aug	1075	1040	1075 1045
Sep	1110	1090	1110 1090
Oct	1200	1180	1200 1180
Jan	1225		1225 1210
Oct	1290		1290
BFI	1052	1055	

Turnover 174 (38)

GRAINS – London FOX (£/tonne)

Wheat	Close	Previous	High/Low
Sep	111.75	111.10	111.75 111.40
Nov	115.10	114.85	115.10 115.00
Jan	118.85	118.60	118.85 118.60
Mar	121.85	121.65	121.[illegible] 121.75
May	125.05	124.80	125.05
Barley	**Close**	**Previous**	**High/Low**
Jan	116.50	116.40	116.50 116.25

Turnover: Wheat 163 (174), Barley 59 (54).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Aug	106.0	105.5	105.5
Nov	106.0		105.5

Turnover 3 (0) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 21,646 lots
Cash	1324.5-1325	1321-2		1324-4.5		
3 months	1348.5-9	1344-5	1351/1341	1348-8.5	1346-7	180,499 lots
Copper, Grade A (£ per tonne)						Total daily turnover 20,976 lots
Cash	1298-9	1293-4	1299	[illegible]		
3 months	1321-2	1316-9	1324/1321	1321.5-2	1320-0.5	143,972 lots
Lead (£ per tonne)						Total daily turnover 5,490 lots
Cash	[illegible]	355-6		344.5-5		
3 months	357-8	351-1.5	[illegible]	353.5-3.75	357-8	20,034 lots
Nickel ($ per tonne)						Total daily turnover 3,028 lots
Cash	7335-40	[illegible]		7315-20		
3 months	7405-10	[illegible]	7400/7375	7385-90	7395-400	24,902 lots
Tin ($ per tonne)						Total daily turnover 3,374 lots
Cash	6560-5	6755-75		[illegible]		
3 months	6595-700	[illegible]	[illegible]	[illegible]	6680-5	12,751 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 16,573 lots
Cash	1346-7	1354-5	1346	1351-2		
3 months	[illegible]	1360-1	1370/1360	1356-7	1360-1	[illegible] lots

LME Closing $/£ rate: SPOT: [illegible] 3 months: [illegible] 6 months: [illegible] 9 months: [illegible]

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	352.60-352.90	
Opening	352.30-352.70	
Morning fix	352.75	183.657
Afternoon fix	352.70	183.583
Day's high	353.10-353.40	
Day's low	352.20-352.60	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	[illegible]	6 months	2.79
2 months	2.78	12 months	2.82
3 months	2.78		

Silver fix	p/troy oz	US cts equiv
Spot	201.80	387.60
3 months	207.00	390.65
6 months	212.20	[illegible]
12 months	222.90	402.35

GOLD COINS

	$ price	£ equivalent
Krugerrand	352.00-354.00	185.00-187.00
Maple leaf	363.05-365.35	-
New Sovereign	85.00-87.00	44.00-46.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sep	Dec	Sep	Dec
1300	[illegible]	[illegible]	[illegible]	[illegible]
1350	[illegible]	[illegible]	[illegible]	[illegible]
1400	[illegible]	[illegible]	[illegible]	[illegible]
Copper (Grade A)	**Calls**		**Puts**	
2450	[illegible]	[illegible]	[illegible]	[illegible]
2500	[illegible]	[illegible]	[illegible]	[illegible]
2550	[illegible]	[illegible]	[illegible]	[illegible]
Coffee	**Sep**	**Nov**	**Sep**	**Nov**
700	[illegible]	[illegible]	[illegible]	[illegible]
750	[illegible]	[illegible]	[illegible]	[illegible]
800	[illegible]	[illegible]	[illegible]	[illegible]
Cocoa	**Sep**	**Dec**	**Sep**	**Dec**
575	[illegible]	[illegible]	[illegible]	[illegible]
600	[illegible]	[illegible]	[illegible]	[illegible]
625	[illegible]	[illegible]	[illegible]	[illegible]
Brent Crude	**Sep**	**Oct**	**Sep**	**Oct**
2000	[illegible]	[illegible]	[illegible]	[illegible]
2050	[illegible]	[illegible]	[illegible]	[illegible]
2100	[illegible]	[illegible]	[illegible]	[illegible]

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Aug	352.7	352.8	353.1	352.0
Sep	353.4	353.4	0	0
Oct	354.5	354.6	354.9	354.0
Dec	[illegible]	356.5	356.9	355.7
Feb	358.4	358.4	358.2	358.0
Apr	360.3	360.2	360.0	360.0
Jun	362.3	362.1	0	0
Aug	364.3	364.1	0	0
Oct	366.5	366.3	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	377.7	378.3	378.5	376.5
Jan	375.6	376.6	376.5	373.5
Apr	[illegible]	375.9	0	0
Jul	376.7	376.9	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Aug	387.0	387.5	0	0
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Sep	21.36	21.59	[illegible]	21.28
Oct	21.26	21.47	21.35	[illegible]
Nov	21.19	21.40	21.29	21.14
Dec	21.18	21.33	21.24	21.06
Jan	21.03	21.20	21.13	20.99
Feb	[illegible]	21.08	21.00	20.86
Mar	20.80	[illegible]	20.86	20.76
Apr	20.66	20.79	20.72	20.66
May	20.57	20.67	20.57	20.57
Jun	20.47	20.56	20.50	20.50

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
Sep	59.07	59.80	59.70	58.90
Oct	60.06	[illegible]	60.60	59.90
Nov	61.12	61.61	[illegible]	61.00
Dec	[illegible]	[illegible]	62.60	62.05
Jan	62.59	63.23	[illegible]	62.50
Feb	61.89	62.43	[illegible]	62.00
Mar	59.74	60.18	[illegible]	59.90
Apr	57.74	58.08	[illegible]	57.65
May	56.09	56.43	56.45	56.45
Jun	55.24	55.56	55.60	55.60

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Sep	1076	1077	1085	1065
Dec	1131	1136	1150	1125
Mar	1180	1186	1194	1176
May	1220	1216	1215	1208
Jul	1239	1245	1248	1240
Sep	1259	1275	0	0
Dec	1304	1310	1311	1300
Mar	1340	1346	1345	1337
May	1366	1374	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	56.65	56.25	56.70	56.40
Dec	[illegible]	58.75	59.20	57.90
Mar	61.60	61.30	61.60	60.45
May	65.50	65.40	65.80	64.70
Jul	67.85	67.75	67.25	67.25
Sep	69.80	69.65	0	0
Dec	73.55	73.65	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	9.44	9.56	[illegible]	9.45
Mar	9.19	9.27	9.34	9.17
May	9.14	9.20	9.28	9.12
Jul	9.10	9.12	9.20	9.10
Oct	9.04	9.06	9.05	9.04

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	63.66	62.90	[illegible]	63.30
Dec	61.36	60.93	61.40	61.00
Mar	62.36	61.98	62.38	62.15
May	[illegible]	62.60	62.90	62.75
Jul	63.30	63.00	63.30	63.20
Oct	63.18	[illegible]	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	117.25	118.75	119.05	117.10
Nov	113.00	114.40	114.95	113.00
Jan	113.00	113.90	114.50	113.00
Mar	113.00	[illegible]	114.70	113.00
May	113.25	114.10	0	0
Jul	113.00	113.95	0	0
Sep	113.00	113.95	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Aug 4	Aug 3	mnth ago	yr ago
[illegible]	1541.7	1540.1	1886.4

DOW JONES (Base: Dec. 31 1974 = 100)

	Aug 3	Jul 31	mnth ago	yr ago
Spot	116.45	116.67	116.39	120.04
Futures	117.63	117.59	118.72	122.86

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Aug	559/4	559/4	564/0	557/0
Sep	554/2	555/6	558/4	552/6
Nov	550/0	550/2	552/6	547/2
Jan	556/4	557/4	559/4	554/0
Mar	562/4	565/0	566/4	560/4
May	569/2	570/2	571/0	566/0
Jul	572/6	574/0	575/4	570/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Aug	18.54	18.51	18.56	18.36
Sep	18.63	18.61	18.71	18.46
Oct	18.80	18.79	18.87	18.66
Dec	19.10	19.08	19.19	18.98
Jan	19.25	19.21	19.30	19.12
Mar	19.54	19.52	19.60	19.42
May	19.83	19.80	19.87	19.72
Jul	20.10	20.07	20.11	19.99

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Aug	171.3	174.0	173.8	170.7
Sep	172.8	174.8	174.8	171.8
Oct	189.8	190.8	191.8	189.3
Dec	188.7	188.8	190.2	187.8
Jan	187.8	187.8	189.2	187.5
Mar	187.5	187.0	189.0	187.0
May	187.0	186.0	187.5	186.3
Jul	186.5	186.3	189.0	186.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	219/2	219/4	220/6	218/4
Dec	222/0	222/6	224/0	220/6
Mar	230/6	231/2	232/0	229/6
May	236/0	236/6	237/6	235/4
Jul	240/0	240/2	241/0	239/0
Sep	240/6	240/0	241/0	239/6

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	310/2	316/2	317/2	310/0
Dec	321/6	326/4	327/6	321/2
Mar	326/6	331/0	333/0	326/4
May	322/4	326/6	327/6	322/4
Jul	307/2	308/4	310/4	306/6
Sep	[illegible]	314/4	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	73.800	73.525	73.975	73.575
Oct	73.975	73.575	74.100	73.625
Dec	72.625	72.100	72.700	72.250
Feb	71.600	71.350	71.600	71.275
Apr	72.875	72.700	72.900	72.600
Jun	69.725	69.650	69.850	69.700

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Aug	42.925	43.525	43.550	42.800
Oct	39.275	39.200	39.500	[illegible]
Dec	40.650	40.775	40.975	40.325
Feb	41.175	41.225	41.250	40.700
Apr	39.875	39.825	39.900	39.450
Jun	44.950	45.000	45.000	44.900

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Aug	35.025	34.800	35.100	33.150
Feb	39.600	40.575	40.500	[illegible]
Mar	39.300	40.300	40.400	38.875
May	40.725	41.550	40.725	40.000
Jul	40.025	40.750	0	40.025
Aug	40.250	40.525	40.250	39.300

LONDON STOCK EXCHANGE

Company news undermines equities

By Terry Byland,
UK Stock Market Editor

GLOOMY reports from the corporate news front undermined the UK stock market again yesterday, reversing an early gain and leaving share prices to react sharply when Wall Street made a dull start to the new trading session. Pleas from Britain's boardrooms for government action to stimulate the domestic economy did little to help sentiment and hopes for base rate cuts dimmed as sterling failed to hold Monday's improvement.

Equities opened firmly on the back of stable performances in the New York and Tokyo stock markets. But investment interest was lacking and it was again left to the stock index futures to provide the lead for share prices. The early rise of 14.6 on the FT-SE Index was soon challenged by a cautious response, in the banking sector, to the disclosure by the Royal Bank of Scotland that it faces a substantial law suit, as well as provisions against property losses. The market also responded coolly to the interim report from National Westminster Bank, while the industrial share sectors featured a fall in TI Group, also on half time trading figures.

The stock market drifted back towards overnight levels but saw little selling pressure. It was a fall of 15 Dow points in early trading on Wall Street that took the heart out of London. UK share prices sagged in late trading and the final reading put the FT-SE Index at 2,407.5, the net fall of 12.7 bringing the 2,400 mark into jeopardy yet again.

Account Dealing Dates		
First Dealings:		
Jul 27	Aug 10	Aug 24
Option Declarations:		
Aug 6	Aug 20	Sep 3
Last Dealings:		
Aug 7	Aug 21	Sep 4
Account Day:		
Aug 17	Sep 1	Sep 14

*New time dealings may take place from 8.30 am two business days earlier.

An increase in the day's Seaq volume total to 466.8m shares appeared to reflect little more than the focus on trading news from a handful of leading blue chip companies. Monday's Seaq total of 329.6m shares was worth a mere £704.1m in retail business, an exceptionally low figure even by recent standards and certainly well under levels regarded as profitable for the securities industry.

National Westminster Bank and the Woolwich Building Society followed the Abbey National, Britain's second largest mortgage lender, in calling for official moves to stimulate the UK housing markets which are seen as the key to any recovery in consumer confidence. Such pleas have found a ready reception at City brokerage houses; Mr Robin Aspinall of Panmure Gordon commented that interest rates are "so obviously" the appropriate instrument to tackle the debt problem overhanging the UK economy.

The building and construction sectors, long identified as the chief casualties of the implications of high domestic interest rates, came in for renewed pressure yesterday. Even the international stocks, which have benefited from their perceived status as "safe havens" from the storm, drifted as buyers showed no inclination to support current price levels. Traders are waiting nervously for tomorrow's decision on the dividend by the board of British Petroleum

Among the few firm exceptions was the publishing sector, where the presence of a few buyers proved enough to inspire substantial recoveries in the leading names which have suffered severely over the past three months.

Bank hit by profits warning

A PROFITS warning from Royal Bank of Scotland prompted the shares to fall steeply on exceptionally heavy turnover. The slide was given further impetus by the announcement of a law suit against the bank and savage profits forecast cuts from many banking analysts. The shares ended 21 down at 153p after 10m traded.

Observers had expected Royal Bank's provision for bad debts to be below last year's £351m and were shocked by the announcement that it would be worse. As a result, forecasts for the year ending in September were scaled right back, with Smith New Court, believed to be the most bearish, coming down to £57m from £107m. Smith has been negative on the stock since last November, and in spite of yesterday's sharp slide, refused to consider the stock worth buying.

The law suit involves a £418m claim by Wallace Smith Trust, a small London bank whose chairman was arrested for alleged fraud. Wallace Smith went into liquidation last year and alleges that cash was transferred by Royal Bank without authority to a related company's account. National Westminster, which is being sued for £71m, lost 4 to 320p.

Builders weak

Building issues suffered as a combination of government statistics, industry reaction and brokers' gloomy reports dragged the market down. Early trading was dominated by a mostly sceptical response to the Abbey National housing market rescue plan, which was viewed as a desperate attempt to alleviate a dire situation.

The arrival of official figures showing housing starts for the three months to the end of June down 8 per cent from the previous quarter, added to the negative feeling. As if this were not enough, BZW and County NatWest weighed in with further summaries of the gloomy outlook.

In a predictably weak building materials sector, Blue Circle dropped 10 to 181p, Marley 7 to 78p, RMC 11 to 479p and Redland 14 to 445p. Among contractors, Amec fell 7 to 85p, John Mowlem 6 to 75p, Persimmon 6 to 184p and George Wimpey 5 to 100p. Spring Ram was undone by an agency cross, thought to be by Albert E. Sharpe, of 2.9m at 105p, which is where the shares finished with a day's fall of 10. Turnover was a hefty 8.9m.

BP dividend fears

Concern about the forthcoming second quarter results from British Petroleum, and specifically a fear that the oil group may cut the dividend, continued to overhang the shares, which slipped a further 1½ to 211p. Turnover was heavy at 8.6m. Strauss Turnbull's Mr John Toalster, the long-standing superbear of BP shares, said there was a two-way pull between gloomy UK pundits and more optimistic analysts in the US.

He added: "The US now holds about 16.2 per cent of BP compared with 7.1 per cent last year, and US forecasts for the extent of a dividend cut range from zero to 25 per cent. In the UK, the estimates are of a 40 to 50 per cent cut." Mr Toalster forecasts a halving of the second quarter dividend to around 2.1p and a subsequent slide in the share price to between 160p and 180p.

TI upset

The spate of negative corporate news continues to undermine equities and, yesterday, engineering company TI Group fell sharply after analysts decided that the effect of the recession on year-end profits was likely to be greater than originally anticipated.

The shares at first registered only a modest decline to 312p after the company revealed a 7 per cent setback in interim profits to £50.2m, slightly below market expectations. The slide started after the analysts meeting, when most concluded that full-year forecasts were too high because of the continuing recession in the UK, and many quickly moved to downgrade predictions for the current and following year.

Sentiment was further weakened by worries about the trading prospects of Dowty, the aerospace company acquired by TI nearly two months ago. There was talk in the market that the rationalisation costs for the Dowty acquisition were likely to reach £70m. By the close, TI had tumbled 31 to 283p as turnover reached 4.2m.

An announcement by Reckitt & Colman that it would take an exceptional charge of $100m (£52.3m) in its 1992 first-half results due to its withdrawal from the US spice market was behind a fall of 10 to 580p in the shares. However, an analyst argued that, because Reckitt concentrates on cash flow rather than the balance sheet, the sentiment was misplaced.

Water shares extended their impressive recovery from last week's losses, although one broker warned that it might be short-lived. North West rose 7 to 421p, Southern 8 to 392p and Yorkshire 9 to 443p. Ms Rachel Lucas at County NatWest warned that the sector was starting to look expensive against other utilities, in particular the regional electricity companies (Recs) and that some switching could soon occur. A positive analysis on the Recs from Smith New Court forecast continued strong earnings. Among others, Smith likes Norweb, ahead 5 at 331p, and Southern, 6 stronger at 293p.

Hints from Yorkshire Chemicals that some of its markets were under pressure sent the shares down 28 to 290p.

Publishers Pearson and Reed International stood out against a weak market as the shares recovered from underperformance in the past quarter. Pearson gained 10 to 337p and Reed was up 9 at 499p.

Bowater also recovered from recent underperformance and closed 12 up at 738p. Carlton Communications dipped 4 to 560p, held back by an agency cross of 1.4m shares at 555p. W.H. Smith rose 8 to 396p as Kleinwort Benson moved from a hold to a buy stance.

Press reports on the dire state of the London hotel market sent Forte down 8 to 149p, and also dragged Ladbroke back 7 to 170p.

Continued worries about the future of The European Fighter project (EFA) unsettled British Aerospace, the UK's lead contractor on the project. The shares lost 7 to 211p.

A firm motor components sector helped Lucas Industries put on 5 to 110p. Broker Henderson Crosthwaite yesterday issued a note putting the company's break-up value at 235p a share. Firm motors also helped Laird Group, up 7 at 270p.

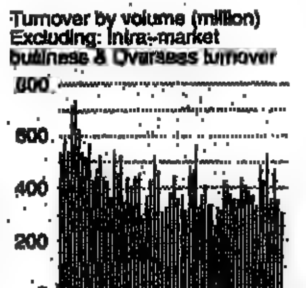
MARKET REPORTERS:
Peter John,
Joel Kibazo,
Christopher Price.

■ Other market statistics, Page 17

FT-A All-Share Index

Equity Shares Traded

Turnover by volume (million) Excluding: Intra-market business & Overseas turnover



FINANCIAL TIMES STOCK INDICES

	Aug 4	Aug 3	July 31	July 30	July 29	Year Ago	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs	87.26	88.35	88.31	88.68	89.00	85.43	89.75 (3/7)	85.11 (1/4)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	105.13	105.00	105.14	105.40	105.77	94.45	106.35 (6/7)	97.15 (2/1)	106.35 (6/7/92)	50.53 (3/1/75)
Ordinary Share ●	1804.0	1814.8	1803.8	1805.9	1815.1	1999.0	2149.7 (22/5)	1767.0 (27/7)	2149.7 (22/5/92)	49.4 (26/6/40)
Gold Mines	86.6	89.3	90.9	91.8	93.0	176.6	160.6 (10/1)	83.6 (8/7)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2407.5	2420.2	2399.6	2411.6	2423.2	2573.3	2737.8 (11/5)	2348.0 (27/7)	2737.8 (11/5/92)	986.9 (23/7/84)
FT-SE Eurotrack 200	1107.46	1104.81	1101.07	1106.13	1112.56	1174.76	1248.79 (11/5)	1087.01 (27/7)	1248.79 (11/5/92)	938.62 (18/1/91)
●Ord Div Yield	5.11	5.08	5.12	5.11	5.11	4.76				
●Earning Yld %(full)	7.31	7.22	7.27	7.26	7.37	8.19				
●P/E Ratio(Net)(☆)	17.25	17.50	17.38	17.41	17.07	15.09				
SEAQ Bargns 5.00pm	17,728	16,454	16,601	18,593	20,284	23,377				
Equity Turnover(£m)†	-	704.1	812.6	891.7	1297.7	823.2				
Equity Bargains†	-	18,510	18,449	20,406	21,767	26,603				
Shares Traded (ml)†	-	305.9	360.6	351.3	473.2	379.1				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90 ☆ Nil 16.06.

Ordinary Share Index, Hourly changes — Day's High 1827.9 — Day's Low 1803.5

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1821.0	1825.3	1827.4	1820.7	1816.0	1812.9	1813.3	1813.7	1807.8

FT-SE 100, Hourly changes — Day's High 2434.8 — Day's Low 2407.5

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2427.9	2433.6	2432.4	2423.6	2419.6	2416.0	2416.4	2419.3	2411.9

FT-SE Eurotrack 200, Hourly changes — Day's High 1114.87 — Day's Low 1107.46

Open	10.30 am	11 am	12 pm	1 pm	2 pm	3 pm
1114.44	1113.86	1111.91	1110.55	1109.20	1108.81	1109.36

GILT EDGED ACTIVITY

Indices*	Aug 3	July 31
Gilt Edged Bargains	95.6	101.2
5 – Day average	89.9	88.3

*SE Activity 1974.
†Excluding intra-market business and Overseas turnover.

London report and latest Share Index: Tel 0891 123001. Calls charged at 36p/minute cheap rate, 48p/minute at all other times.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
AIII	20	436	6	Comm Union	560	446	+4	Lonrho	1,700	79	-1	Shell Transport	1,600	464½	-4½
ASDA Group	7,600	26		Cookson	1,100	146	+2	Lucas	2,800	110	+5	Siebe	264	630	
Abbey National	2,600	299	+4	Courtaulds	892	460	-6	MB Caradon	975	249	+1	Slough Ests	644	118	+1
Albert Fisher	632	58		Dalgety	822	407	+5	MEPC	1,600	243	-3	Smith (W.H.) A	1,200	396	+8
Allied - Lyons	1,200	517	1	De La Rue	1,200	566	+8	Manweb	258	303	+1	Smith & Nephew	871	136½	-1
Amstrad	838	26	+1	Dixons	1,300	[illegible]	-4	Marks & Spencer	2,100	310	-6	SmKl Beecham	3,200	472	+1
Anglian Water	504	387	+5	Eastern Elect.	1,000	299	+1	Midlands Elect.	588	299		SmKl Beecham Uts.	2,000	427	+3
Argos	325	213	4	East Midland Elect.	1,400	284	+3	NFC	265	247	+2	Smiths Inds.	7	259	
Argyll Group	2,200	352		Eng China Clays	684	474	-10	NatWest Bank	4,400	320	-4	Southern Elect.	945	293	+6
Arjo Wiggins	429	215½	+½	Enterprise Oil	206	332	+2	National Power	4,300	237	-6	South Wales Elect.	344	338	+1
Ass. Brit. Foods	202	400		Eurotunnel Units	552	311	-4	Next	1,100	67½	-1½	South West Water	706	398	+8
Ass. Brit. Ports	170	281		FKI	3,900	71½	-1½	North West Water	372	420	+6	South West. Elect.	455	298	+10

[illegible]

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
Brit. Aerospace	1,700	211	-7	Hill	1,100	277		Rolls Royce	2,300	136	+1	Utd. Newspapers	321	397	+6
British Airways	1,400	235	+2	ICI	1,200	1160½	-11½	Rothmans	130	1064	-1	Vodafone	4,700	323	+7
British Gas	4,000	234	-2	Inchcape	441	415	-2	Ryl Bk Scotland	10,000	[illegible]	-21	Warburg (SG)	30	494	+2
British Land	177	172	-1	Kingfisher	1,800	449	-1	Royal Insurance	322	169	-4	Wellcome	5,800	808	
British Steel	13,000	56½	1	Kwik Save	308	642	-3	Saatchi	402	132	+1	Welsh Water	797	438	+3
[illegible]	4,100	84	+4	Ladbroke	1,600	170	-7	Sainsbury	594	490		Wessex Water	270	490	+4
Burmah Castrol	361	632	-3	Land Securities	2,000	373	-3	Scottish & New.	347	445	-1	Whitbread 'A'	1,700	418	-5
Burton	3,300	36½	-1	Laporte	39	510	-4	Scot. Hydro - Elect.	1,000	207	+1	Williams Hldgs.	1,200	271	+7
Cable & Wire	1,200	548	+2	Legal & General	[illegible]	332	-5	Scottish Power	1,200	184	-1	Wills Corroon	277	711	-7
Cadbury Schweppes	2,300	469	+2	Lloyds Abbey	106	336	-2	Sears	4,400	75	-1	Wimpey	467	100	-5
Calor Group	44	177		Lloyds Bank	1,600	388	-11	Sedgwick	323	170	+2	Wolseley	107	321	+1
Carlton Comms	3,500	560	-4	LASMO	1,000	140	+2	Seeboard	144	308	+3	Yorkshire Elect.	148	339	-2
Coats Viyella	1,400	179	+6	London Elect.	956	295	+5	Severn Trent Water	285	381	+5	Yorkshire Water	764	445	+9

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

FOOTSIE futures surrendered Monday's gains in a volatile session as the recent gloom in the markets caused by economic worries returned, writes Joel Kibazo.

A firm opening at 2,455 after the previous day's strong close, appeared to indicate another good session. However, within half an hour a retreat set in and was indicative of the volatility and decline that was to come.

Having dipped to 2,445, September was then squeezed forward reaching to 2,458 by 10am. However the renewed strength proved short-lived, as uncertainty and worries about the economic outlook gained the upper hand sending not only the contract into retreat but also pulling the underlying cash market lower. A decline in gilts also affected sentiment.

Several attempts at a rally were noted in September, but the contract eventually closed at 2,418, down 28 on its previous close and around 3 points below its estimated fair value premium to cash of about 12. Turnover reached 7,834 contracts.

Traded options remained dull with a majority of the the day's total volume of 20,495 lots seen in the index options. The FT-SE 100 option traded 9,052 contracts.

FT-ACTUARIES SHARE INDICES

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tue Aug 4 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Mon Aug 3 Index No.	Fri Jul 31 Index No.	Thu Jul 30 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (175)	734.40	-1.1	8.04	6.11	15.90	20.52	742.33	734.06	736.24	826.73
2	Building Materials (23)	756.43	-3.2	7.21	7.40	19.85	25.58	781.56	781.98	782.06	1044.95
3	Contracting, Construction (27)	609.68	-2.6	5.74	9.82	37.90	25.20	626.05	633.78	638.93	1131.51
4	Electricals (9)	2190.37	+0.3	7.89	6.91	16.41	68.82	2183.04	2182.31	2190.52	2410.52
5	Electronics (27)	1901.25	+0.4	8.48	4.55	14.71	45.48	1894.37	1876.75	1891.99	1721.47
6	Engineering-Aerospace (6)	303.49	-0.5	12.00	8.59	10.54	11.27	305.04	295.80	296.16	416.53
7	Engineering-General (43)	445.07	-1.9	9.20	5.41	13.57	11.44	453.65	451.91	452.34	456.57
8	Metals and Metal Forming (7)	285.35	-0.9	5.86	7.72	25.01	7.18	287.81	286.44	289.68	428.48
9	Motors (14)	320.01	+1.4	8.49	7.37	15.44	10.14	315.48	311.56	311.61	320.04
10	Other Industrial Materials (19)	1616.89	-0.9	7.66	5.13	15.72	38.28	1630.97	1599.15	1595.63	1600.98
21	CONSUMER GROUP (191)	1543.74	-0.2	7.93	3.72	15.47	26.50	1547.33	1533.20	1537.71	1507.43
22	Brewers and Distillers (25)	1972.73	-0.6	8.43	3.71	14.30	37.26	1984.06	1952.58	1958.36	1645.45
25	Food Manufacturing (19)	1183.48	-0.3	9.12	4.46	13.57	26.01	1187.01	1176.91	1174.26	1198.90
26	Food Retailing (18)	2764.33	....	8.82	3.30	14.78	44.70	2763.26	2735.78	2740.90	2714.51
27	Health and Household (24)	3830.17	+0.1	7.24	2.79	15.73	37.92	3826.46	3804.77	3816.08	3568.20
29	Hotels and Leisure (18)	1103.88	-1.2	7.27	6.20	17.87	33.45	1117.45	1117.70	1117.36	1284.63
30	Media (27)	1453.50	+0.8	7.10	3.65	17.46	27.19	1441.84	1426.67	1429.63	1425.81
31	Packaging, Paper & Printing (17)	725.03	+0.9	7.11	4.56	17.05	14.76	718.71	715.84	718.34	745.53
34	Stores (34)	969.24	-1.1	7.79	3.85	16.96	16.96	979.59	968.68	976.81	961.73
35	Textiles (9)	620.03	+1.3	7.83	5.00	15.92	14.72	612.08	611.09	619.01	590.55
40	OTHER GROUPS (117)	1201.72	-0.2	10.35	5.50	12.03	31.17	1204.41	1196.53	1206.33	1253.80
41	Business Services (17)	1228.03	-1.4	6.84	4.20	17.84	21.03	1245.21	1247.33	1253.55	1338.81
42	Chemicals (22)	1332.10	-0.7	7.32	5.46	16.96	33.10	1341.87	1338.17	1349.24	1431.88
43	Conglomerates (10)	1217.89	+0.1	10.26	7.70	12.21	24.83	1216.80	1201.20	1207.78	1434.17
44	Transport (14)	2222.06	....	8.89	5.31	13.87	55.92	2221.91	2200.31	2214.71	2245.20
45	Electricity (16)	1299.36	-0.4	15.26	5.65	8.30	38.33	1304.14	1289.39	1298.30	1205.87
46	Telephone Networks (4)	1370.51	-0.6	11.03	4.02	11.81	46.12	1378.94	1376.59	1392.34	1518.28
47	Water (11)	2750.11	+1.2	16.29	6.29	6.79	86.85	2717.18	2656.50	2696.67	2329.08
48	Miscellaneous (23)	1971.01	+0.4	6.73	5.14	18.64	29.19	1962.88	1958.33	1966.96	1981.01
49	INDUSTRIAL GROUP (483)	1231.72	-0.4	8.73	4.71	14.23	26.94	1236.36	1225.89	1231.34	1260.71
51	Oil & Gas (17)	1850.05	-0.7	8.33	7.69	15.71	63.73	1863.35	1870.68	1880.27	2449.80
59	500 SHARE INDEX (500)	1291.90	-0.4	8.69	5.00	14.37	29.89	1297.20	1287.82	1293.63	1361.66
61	FINANCIAL GROUP (84)	685.19	-0.6	–	6.59	–	20.17	689.61	684.24	688.86	818.20
62	Banks (9)	913.62	-0.7	7.57	6.01	18.42	24.58	920.52	917.81	931.17	950.76
65	Insurance (Life) (6)	1437.85	-1.0	–	6.19	–	44.26	1452.12	1432.78	1442.63	1558.54
66	Insurance (Composite) (7)	452.35	-0.4	–	7.69	–	13.46	454.16	440.62	437.02	667.99
67	Insurance (Brokers) (10)	758.17	-0.9	10.22	8.56	12.07	30.14	764.85	758.67	758.79	1145.67
68	Merchant Banks (7)	427.66	+0.2	–	5.05	–	11.25	426.68	428.37	428.59	444.95
69	Property (30)	544.55	-0.4	11.04	8.39	12.15	20.31	547.00	543.08	537.54	917.59
70	Other Financial (15)	232.94	-0.1	7.79	7.40	17.37	6.63	233.09	233.39	233.88	250.18
71	Investment Trusts (70)	1085.29	+0.2	–	4.13	–	20.64	1083.28	1085.34	1086.85	1210.07
99	ALL-SHARE INDEX (654)	1146.41	-0.4	–	5.18	–	27.23	1151.28	1143.14	1148.53	1229.31

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Aug 3	Jul 31	Jul 30	Jul 29	Jul 28	Year ago
FT-SE 100 SHARE INDEX♦	2407.5	-12.7	2434.8	2407.5	2420.2	2399.6	2411.6	2423.2	2373.4	2573.3

FIXED INTEREST

	PRICE INDICES	Tue Aug 4	Day's change %	Mon Aug 3	Accrued interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (23)	120.99	+0.06	120.93	1.72	7.91
2	5-15 years (25)	136.54	-0.16	136.76	1.74	8.55
3	Over 15 years (8)	148.67	-0.28	149.36	1.71	7.62
4	Irredeemables (6)	167.20	-0.14	167.44	2.61	7.34
5	All stocks (62)	134.30	-0.11	134.48	1.75	8.37
	Index-Linked					
6	Up to 5 years (2)	172.19	+0.04	172.11	1.30	1.83
7	Over 5 years (10)	148.28	+0.31	147.85	0.58	3.09
8	All stocks (12)	150.39	+0.27	149.99	0.67	2.90
9	Debs & Loans (62)	120.41	-0.07	120.50	2.87	8.53

	AVERAGE GROSS REDEMPTION YIELDS		Tue Aug 4	Mon Aug 3	Year ago (approx.)
	British Government				
1	Low Coupons (0%-7¾%)	5 years	8.64	8.65	8.95
2		15 years	8.91	8.89	9.71
3		20 years	8.91	8.89	9.71
4	Medium Coupons (8%-10¾%)	5 years	9.52	9.51	10.09
5		15 years	9.11	9.08	9.92
6		20 years	9.01	9.01	9.87
7	High Coupons (11%-)	5 years	9.74	9.73	10.27
8		15 years	9.33	9.30	10.03
9		20 years	9.22	9.19	9.93
10	Irredeemables		9.16	9.15	9.92
	Index-Linked				
11	Inflation rate 5%	Up to 5 yrs.	4.39	4.40	4.43
12	Inflation rate 5%	Over 5 yrs.	4.57	4.54	4.38
13	Inflation rate 10%	Up to 5 yrs.	3.66	3.66	3.51
14	Inflation rate 10%	Over 5 yrs.	4.39	4.41	4.20
15	Debs & Loans	5 years	10.63	10.64	11.74
16		15 years	10.44	10.43	11.48
17		25 years	10.31	10.30	11.29

♦Opening Index 2427.9; 9 am 2433.6; 10 am 2432.4; 11 am 2423.6; Noon 2419.6; 1 pm 2416.0; 2 pm 2416.4; 2.30 pm 2418.1; 3 pm 2419.3; 4.10 pm 2409.4. (a) 8.46am (b) 4.30pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, 2nd Floor, 126 Jermyn Street, London SW1Y 4UJ. Tel: 071-925 2323.

NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (6).
OTHER FIXED INTEREST (1) L'pool. 3½pc Irred., ELECTRICITY (1) Scot.-Hydro, INSURANCE LIFE (1) Lincoln Natl., MEDIA (2) CIA, TVS Ent., METAL & METAL FORMING (1) Morris Ashby.
NEW LOWS (140).
BANKS (2) ANZ, Bk. Leumi, BREWERS & DISTILLERS (4) Fosters, Fuller STA, Greenalls 5.95pc Pf, Highland, BUILDING MATERIALS (8) BMSS, Cape, Erith, Heywood Williams, Marley, Meyer, Polypipe, Spring Ram, BUSINESS SERVICES (2) African Lakes, Johnson Cleaners, CHEMICALS (1) Laporte, CONGLOMERATES (3) CSR, Cannon St. Inv., Grampian, CONTRACTING & CONSTRUCTION (21) Barcom, Bellway, Dunton, Galliford, Gleeson (MJ), Hewden-Stuart, Higgs & Hill, Lilley, Lovell (YJ), Maunders (J), McAlpine (A), Mowlem (J), Persimmon, Prowting, Raine, Taylor Woodrow, Torex Hire, Vibroplant, Ward Hldgs., Westbury, Wimpey (G), ELECTRICALS (2) Scholes, Wholesale Fttgs., ELECTRONICS (2) Kalamazoo, Micro Focus, ENGINEERING [illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
[illegible]				101¼	100⅛	12.22	–
[illegible]				102⅛	100⅞	13.45	9.53

[illegible]

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
Exch 12¼pc 1999		112⅞	-⅛	116⅛	108½	10.87	9.62
Treas 10½pc 1999		108	-⅛	107⅞	101⅞	10.80	9.47
Conversion 10¼pc 1999		108⅞	-⅛	108⅞	100⅞	9.85	9.45
9pc 2000		98⅜xd	-¼	100⅞	94⅝	9.19	9.26

[illegible]

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1992 high	1992 low	Yield (1)	Yield (2)
Index - Linked							
	(b)					(1)	(2)
Treas. 2pc '94	(102.3)	126¼	+⅛	127⅜	122⅜	2.38	4.31
2pc '96	(67.9)	181⅝	+⅛	184⅝	175⅝	3.08	4.44

[illegible]

OTHER FIXED INTEREST

[illegible]

LEGAL NOTICES

Notice of Creditors' Meeting under S.48(2) and S.67(2)

MOUNTLEIGH GROUP PLC
BANGCHARGE LIMITED
ELLERDINE PROPERTIES LIMITED
GRIDLAND LIMITED
HIGHGRAL LIMITED
LEIGH ESTATES (UK) LIMITED
MH FINANCE COURT LIMITED
MH INVESTMENT COMPANY LIMITED
MH RETAIL PROPERTIES LIMITED
MOUNTLEIGH (MOSEY HILL) LIMITED
MOUNTLEIGH DEVELOPMENTS LIMITED
MOUNTLEIGH INVESTMENTS LIMITED
MOUNTLEIGH NORTHERN DEVELOPMENTS LIMITED
OBSERVATORY GARDENS LIMITED
PHOENIX FINANCE AND INVESTMENTS LIMITED
PHOENIX PROPERTIES (LONDON) LIMITED
PHOENIX PROPERTIES AND FINANCE LIMITED
SILENCREST LIMITED
STOCKLEY ACADEMY LIMITED
THE PATERNOSTER CONSORTIUM LIMITED
TRUST SECURITIES HOLDINGS LIMITED
TRUST SECURITIES PROPERTIES LIMITED

Notice is hereby given that meetings of the unsecured creditors of the above companies pursuant to section 48(2) and section 67(2) of the Insolvency Act 1986 will be held at 9th Floor, 1 Canada Square, Canary Wharf, London e14 on 19 August 1992 at 10.30 am for the purpose in each case of receiving the report of the Administrative Receivers and, if thought fit, appointing a creditors' committee. A creditor will be entitled to vote only if a written statement of claim is submitted to me at 20 Farringdon Street, London EC4A 4PP by 12 noon on 18 August 1992 and if the claim is admitted for voting purposes. Any proxy form(s) that is/are intended to be used must be submitted to me at 20 Farringdon Street London, EC4A 4PP, before the meetings. A creditor whose claim is wholly secured is not entitled to attend or be represented at the relevant meeting. A secured creditor may, however, vote in respect of any unsecured balance of claim after deduction of the estimated security value.
Dated 3 August 1992
Signed E.S. James
Joint Administrative Receiver

Notice of Appointment of Joint Administrative Receivers

ALLIANCE TRANSPORT LIMITED
Registered Number: 2112503. Nature of Business: Road Hauliers. Trade Classification: Road Hauliers. Date of Appointment of Joint Administrative Receivers: 27 July 1992. Name of Person Appointing the Joint Administrative Receivers: Barclays Bank Plc. JOSEPH PATRICK CONSIDINE and RICHARD ANTHONY SMART Joint Administrative Receivers. (Office Holder Nos: 1768 and 2530) Cork Gully, Churchill House, Churchill Way, Cardiff CF1 4XQ

IN THE MATTER OF
DESIGNER FURNITURE (FRAMES & UPHOLSTERY) LTD
AND IN THE MATTER OF
THE INSOLVENCY ACT 1986
In accordance with Rule 4.106 of The Insolvency Rules 1986 notice is hereby given that I, Peter S Dunn FCA, a Licensed Insolvency Practitioner of Latham Crossley & Davis, 7 Kenrick Place, London W1H 3FF, was appointed Liquidator of the above Company by the Creditors on 28th July 1992.
Dated this 28th July 1992
Peter S Dunn FCA, Liquidator

PERSONAL

PUBLIC NOTICES

MMC INVITES EVIDENCE ON THE PROPOSED ACQUISITION BY SCOTTISH MILK MARKETING BOARD (SMMB) OF THE SCOTTISH MILK BUSINESS OF CO-OPERATIVE WHOLESALE SOCIETY LIMITED (CWS)

The Monopolies and Mergers Commission is inquiring into the proposed acquisition by SMMB of the Scottish milk business of CSW, to determine whether such an acquisition may be expected to operate against the public interest.

The Commission would like to hear from any person with information or views on this proposed acquisition. Evidence in writing should be sent before 21 August 1992 to: Mr L.E. Orchard, Reference Secretary (SMMB/CWS), Monopolies and Mergers Commission, New Court, 48 Carey Street, London WC2A 2JT.

LONDON SHARE SERVICE

AMERICANS

Notes	Price £	+or-	1992 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs......h	18⅛xd	+⅛	19⅛	14⅝	19,880	1.9
♥Allegheny & W.	331p	—	335p	228p	172.0	4.7
Amdahl	736p	+6	1169p	706p	824.6	0.7
Amer Cyanamid	32⅛	+⅛	37	28⅝	2,993	2.6
Amer Express	11⅞xd	-⅛	13⅞	10⅛	5,049	4.4
Amer T & T	22⅞xd	+⅛	24⅞	20⅛	30,340	3.0
Ameritech	33	-⅛	36⅜	32⅛	18,792	5.1
BankAmerica	23⅞xd	+⅛	27⅛	18⅛	8,218	2.9
Bankers NY	31⅞xd	-⅛	37⅛	28⅞	2,026	4.2
Bell Atlantic	24⅞	+⅛	28⅛	23⅛	10,769	5.5
BellSouth	27⅛	-⅛	29⅛	25	13,389	5.3
♥Bethlehem Steel	7xd	-⅛	9⅝	6⅞	830.8	—
Bowater	1639pxd	-27	1679p	1018p	373.5	6.1
CPC......h	24⅞xd	+⅛	25⅛	22⅛	3,777	2.5
♥Cadiz Land Inc.	142p	—	342p	142p	—	—
California Engy	622p	—	830p	589p	119.4	—
Campbell Soup	19⅞xd	-⅛	23⅞	17⅛	4,816	2.1
Chase Manhattan	13xd	+⅛	16⅛	9⅛	1,627	4.8
Chrysler	11⅞xd	+⅛	11⅛	6⅛	3,341	2.7
Citicorp	10⅞xd	+⅛	11⅛	5⅝	3,881	—
Colgate-Palm.	27⅛xd	—	29⅞	25⅛	4,336	2.4
Cont'l Bank	690p	-14	1000p	499p	900.5	3.5
Dana	21⅝xd	+⅛	24⅛	14⅛	878.7	3.9
Data General	463p	-13	1084p	388p	127.8	—
♥Decora Inds.	121p	—	122p	66p	—	—
Dun & Brad	30⅛	—	33⅛	27⅝	5,419	3.9
Eaton	41⅛	+⅛	46⅛	32⅛	1,428	2.8
Echlin	10⅞xd	-⅛	11	7⅛	578.4	3.5
FPL	19⅞xd	+⅛	20	18⅛	3,446	6.4
Fluor	23⅞	+⅛	27	19⅛	1,877	1.0
Ford Motor	23⅞xd	-⅛	26⅛	15	11,448	2.2
Gen Elec	39⅛xd	-⅛	45⅛	35⅞	33,916	3.1
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING - AEROSPACE

ENGINEERING - GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

Authorised by the Inland Revenue

INVESTMENT TRUSTS - Cont.

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INVESTMENT TRUSTS - Cont.

MEDIA - Cont.

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

INVESTMENT COMPANIES

MEDIA

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices.

[illegible]

Symbols relating to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

[illegible] where possible, are updated on interim figures. P/Es are calculated on "net" [illegible], excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discount (Dis) or premium (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ), and non-UK stocks which are quoted on SEAQ International
- "Tap Stock"
- Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- Figures or report awaited
- Not officially UK listed; dealings permitted under rule 535(4)(a)
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- Not officially UK listed; dealings permitted under Rule 535(2)
- Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- Merger bid or reorganisation in progress
- Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- Unregulated collective investment schemes.

[illegible] yield, p/e ratio based on latest annual earnings. ■ Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. [illegible] 1992-93. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other [illegible]

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

INITIAL CHARGE: [illegible]

OFFER PRICE: [illegible]

BID PRICE: [illegible]

CANCELLATION PRICE: [illegible]

TIME: [illegible]

HISTORIC PRICING: [illegible]

FORWARD PRICING: [illegible]

SCHEME PARTICULARS AND REPORTS: [illegible]

[illegible]

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Equitable Life Assurance Society

Walton St, Aylesbury Bucks HP21 7QW 0296 393100

	Bid Price	Offer Price	+ or −	Yield Gross
European	119.8	[illegible]	+1.0	-
Far Eastern	282.8	297.7	-0.1	-
Fd of Inv Tsts	[illegible]	235.1	+0.3	-
Gilt & Fixed Int	177.6	[illegible]		-
High Income	253.9	267.3	-0.4	-
Intl Growth	142.9	150.4	+0.2	-
Managed	180.8	190.3	-0.1	-
Money	165.1	173.8	+0.1	-
North American	[illegible]	172.0	+0.8	-
Pelican	209.1	220.1	-0.4	-
Property	172.8	[illegible]		-
Smaller Companies	[illegible]	121.9	-0.3	-
Special Sits	172.4	181.5	-0.5	-
Pension Funds				
European	112.5	118.4	+1.3	-
Far Eastern	311.8	328.2	-0.1	-
Fd of Inv Tsts	244.7	257.6	+0.4	-
Gilt & Fixed Int	188.8	198.7	+0.1	-
High Income	293.1	308.5	-0.5	-
International Growth	141.9	149.4	+0.3	-
Managed	200.6	211.2	-0.1	-
Money	215.5	226.8	+0.2	-
North American	[illegible]	172.1	+1.1	-
Pelican	224.3	236.1	-0.7	-
Property	185.3	195.0		-
Smaller Companies	129.2	136.0	-0.4	-
Special Sit	172.2	181.3	-0.6	-

Equity & Law

Amersham Road, High Wycombe 0494 463463

	Bid Price	Offer Price	+ or −	Yield Gross
UK Equities Ser 5	708.3	745.3	+4.3	-
Higher Income Ser 5	700.0	736.8	+3.2	-
Property Ser 5	469.2	493.8	+0.5	-
Fixed Interest Ser 5	[illegible]	359.0	+0.2	-
Index Lnkd Secs Ser 5	[illegible]	155.7	-0.2	-
Gtd Deposit Ser 5	269.7	283.8	+0.4	-
Nth America Ser 5	315.3	[illegible]	+1.2	-
Far East Ser 5	312.0	328.4		-
Europe Ser 5	268.3	282.4	+2.2	-
International Ser 5	378.3	398.2	+1.7	-
Balanced Ser 5	[illegible]	543.4	+2.0	-
Reserve Ser 5	125.6	[illegible]	+0.2	-
Opportunity Ser 5	97.5	102.6	+0.6	-
Pen Equity Ser 2 (z)	[illegible]	[illegible]	[illegible]	-
Pen Higher Inc S 2 (z)	202.3	212.9	[illegible]	-
Pen Fixed Int S 2 (z)	[illegible]	[illegible]	-1.7	-
Pen Index-Link Sec S 2 (z)	184.7	194.4	-1.2	-
Pen Property S 2 (z)	[illegible]	[illegible]	+2.9	-
Pen N America S 2 (z)	129.3	136.1	-0.4	-
Pen Far East S 2 (z)	161.3	169.7	-1.1	-
Pen Europe S 2 (z)	139.0	146.3	+0.1	-
Pen Overseas S 2 (z)	514.2	541.2	-4.9	-
Pen Balanced S 2 (z)	564.7	594.4	[illegible]	-
Pen Cash S 2 (z)	[illegible]	404.0	[illegible]	-
Pen DAF Series 2 (z)	[illegible]	227.5		-
Pen DAF Series 1 (z)	[illegible]	446.7		-
Pen Opportunity S 2 (z)	104.4	109.8	-0.1	-
Pen Reserve S 2 (z)	[illegible]	147.6	-0.1	-

Eurolife Assurance Company Ltd

Eurolife Hse, 16 St John St, EC1M 4AY 071-454 0105

	Bid Price	Offer Price	+ or −	Yield Gross
Int Man Pension Fd	174.80	184.30		-
Int Man Cncy Bd Fd		159.60		-
Int Man Cncy Bd Fdd		[illegible]		-
Flexible Prov Bd Fd		220.90		-

Henderson Administration(z)

3 Finsbury Ave, London EC2M 2PA 071-638 5757

	Bid Price	Offer Price	+ or −	Yield Gross
UK Equity	297.6	316.6	+1.0	-
Fixed Interest	64.6	68.8	-0.2	-
N America	262.4	279.9	+0.2	-
Far East	322.5	343.1	0.8	-
Global Managed	307.1	326.8	+0.4	-
Deposit	210.2	221.3		-
Prime Res	132.6	139.6		-
European	179.7	191.2	-0.7	-
Pension Funds				
UK Equity	324.1	344.8	-0.3	-
Fixed Interest	231.9	246.8	-0.2	-
Special Sits	242.4	257.9	-0.2	-
N American	155.9	165.9		-
Far East	251.1	267.2	-0.9	-
Managed	278.6	296.4	-0.5	-
Overseas	255.9	269.4		-
European Pension Fund	207.4	220.7	-1.0	-

Hill Samuel Life Assur. Ltd

NLA Tower, Addiscombe Rd, Croydon 081-686 4355

	Bid Price	Offer Price	+ or −	Yield Gross
Security Fund	359.9	[illegible]	+1.9	-
British Fund	385.3	407.8	+2.7	-
International Fund	349.6	370.0	+1.7	-
Dollar Fund	253.0	267.8	+1.0	-
Capital Fund	335.4	355.0	+1.5	-
Income Fund	476.0	503.8	+2.3	-
Property Series A	386.0	408.5		-
Property Series S	623.0	654.2		-
Financial Fund	339.4	359.3	-0.2	-
Managed Series A	399.3	422.6	+1.3	-
Managed Series C	[illegible]	249.6	+0.8	-
Managed Series S	710.9	[illegible]	+2.2	-
High Yield Fund	435.3	460.6	+2.6	-
Money Series A	261.5	276.8	+0.1	-
Money Units	343.3	361.4	+0.1	-
Equity Fund	438.3	463.9	+2.5	-
Fixed Int Fund	304.5	322.3	-1.1	-
Indexed Sec Fd	143.3	151.7	-0.6	-
European Fund	507.3	536.9	+3.0	-
Natural Resrc Fd	195.4	206.8	[illegible]	-
Far East Fund	333.9	353.4	-0.2	-
Smaller Cos	312.7	330.9	[illegible]	-
Spec Sits Fund	315.8	334.2	+1.1	-
Mixed Cncy Fund	225.7	238.9	+0.1	-
Japan Tech	151.2	160.0	+0.3	-
Global Bond Fund	142.2	150.5		-
US Smaller Co's	142.0	150.3	+0.6	-
Pension Fund Plans				
Property Acc	595.6	627.0		-
Property Ser A	291.5	306.9		-
Property Ser B	187.7	197.6		-
Managed Acc	980.3	1031.9	+3.9	-
Managed Cap	565.8	595.6	+2.3	-
Managed Ser A	[illegible]	257.8	+0.9	-
Managed Ser B	115.6	121.7	[illegible]	-
Managed Ser C	186.1	195.9	+0.7	-
Guaranteed Acc	497.0	523.2		-

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OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

ISLE OF MAN (SIB RECOGNISED)

FT MANAGED FUNDS SERVICE

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ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling dips on new rate fears

STERLING lost ground against the D-Mark on the foreign exchanges yesterday as dealers grew more nervous that the Bundesbank will raise rates at its council meeting tomorrow, *writes James Blitz.*

There are plenty of reasons to believe that the Bundesbank will not raise the Lombard rate tomorrow. Germany's central bank needs more time to gauge the effects of the recent discount rate rise on money supply before making a decision to tighten further. Moreover, the Bundesbank would probably want to wait until France votes in its referendum on the Maastricht treaty on September 20, for fear of exacerbating the "No" vote there.

However, one London dealer said the market engaged in short-covering of D-Mark positions yesterday "just in case". Another factor unnerving the markets is today's *Paris Match* poll on how the French will vote in their referendum. One London trader talked of fears that the poll, due out at 1400 GMT today, will be close, or even show the "No" voters in the lead.

The pound may also have been weakened by increasing calls from British political and business figures for emergency action to stimulate the housing market. The growing argument for a temporary cut in VAT to try and boost the economy has unnerved some traders, who fear this will lead to a worsening trade balance. They believe that consumers will purchase more goods from abroad at reduced VAT rates rather than British ones.

Sterling, therefore, declined to DM2.8350 from a previous close of DM2.8400. In late New York trading it was down further to DM2.8325.

The Italian lira came under renewed pressure from fears over European union. Compounding this was the Bank of Italy's decision to cut ½ percentage point off its discount rate on Monday night, bringing the cost of one-month lira cash down by 1⅞ percentage points to 13⅛ per cent.

However, the Italian central bank doubtless calculated that the market feels well disposed towards Mr Giuliano's Amato's government after the ratification of his plans to reduce the budget deficit. The lira closed against the D-Mark at L755.9, after a previous L755.5.

The dollar was sidelined in Europe yesterday, trading within a tight range between DM1.4730 and DM1.4789. The currency drifted lower after the US index of leading indicators, the government's chief economic forecasting gauge, weakened in June for the first time in six months. It fell 0.2 per cent, in line with economists' forecasts.

The US currency finished against the D-Mark in London at DM1.4750, down slightly from a previous close of DM1.4760. In New York the dollar showed some improvement to finish at DM1.4772.

£ IN NEW YORK

Aug 4	Close	Previous Close
£ Spot	1.9185-1.9195	1.9250-1.9260
1 month	1.17-1.15pm	1.21-1.19pm
3 months	3.27-3.24pm	3.27-3.24pm
12 months	11.6-11.5pm	11.5-11.4pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

		Aug.4	Previous
8.30	am	92.2	92.3
9.00	am	92.2	92.3
10.00	am	92.2	92.3
11.00	am	92.2	92.2
Noon		92.1	92.2
1.00	pm	92.1	92.2
2.00	pm	92.1	92.2
3.00	pm	92.1	92.2
4.00	pm	92.1	92.4

CURRENCY MOVEMENTS

Aug 4	Bank of England Index	Morgan Guaranty Changes %
Sterling	92.1	-19.8
U.S Dollar	60.3	-18.5
Canadian Dollar	99.0	-2.2
Austrian Schilling	111.1	+12.9
Belgian Franc	113.2	-1.0
Danish Krone	111.6	+5.1
D-Mark	[illegible]	+26.8
Swiss Franc	110.0	+17.9
Dutch Guilder	116.2	+17.4
French Franc	106.2	-10.7
Lira	100.1	-19.2
Yen	137.0	+71.1
Peseta	100.5	-17.5

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Aug.3

CURRENCY RATES

Aug 4	Bank rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.751409	0.718941
U S Dollar	3.00	1.44496	1.38051
Canadian $	5.50	N/A	1.63425
Austrian Sch	7.50	15.0218	14.3601
Belgian Franc	8.50	[illegible]	42.0193
Danish Krone	9.50	8.19509	7.84959
D-Mark	8.75	2.13623	2.04040
Dutch Guilder	8.50	2.40875	2.30048
[illegible]	[illegible]	[illegible]	[illegible]

* Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Aug.3

OTHER CURRENCIES

Aug 4	£	$
[illegible]	[illegible]	[illegible]
Mexico	[illegible]	[illegible]
N.Zealand	3.5900 - 3.5950	1.8325 - 1.8350
Saudi Ar	7.1580 - 7.2350	3.7495 - 3.7505
Singapore	3.0890 - 3.0965	1.6100 - 1.6110
S.Af (Cm)	5.3150 - 5.3275	2.7680 - 2.7695
S.Af (Fn)	7.2765 - 7.3180	3.7880 - 3.8095
Taiwan	47.85 - 48.05	24.90 - 25.00
U.A.E.	7.0090 - 7.0860	3.6715 - 3.6735

*Floating rate. Iran Official rate:£121.36 $63.75

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Aug 4	% Change from Central Rate	% Spread v Weakest Currency	Divergence Indicator
Portuguese Escudo	178.735	173.710	-2.81	6.15	46
Spanish Peseta	133.631	130.034	-2.69	6.02	46
Belgian Franc	42.4032	42.0193	-0.91	4.10	30
D-Mark	2.05586	2.04040	-0.75	3.94	30
Dutch Guilder	2.31643	2.30048	-0.69	3.88	20
Irish Punt	0.767417	0.765929	-0.19	3.36	-4
French Franc	6.89509	6.89289	-0.03	3.20	-14
Danish Krone	7.84195	7.84959	0.10	3.06	-17
Italian Lira	1538.24	1542.44	0.27	2.88	-27
Sterling	0.696904	0.718941	3.16	0.00	-62

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Aug 4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.9170 - 1.9240	1.9215 - 1.9225	1.16-1.14cpm	7.10	[illegible]	6.77
Canada	2.2790 - 2.2810	2.2800 - 2.2810	1.00-0.93cpm	5.08	2.92-2.82pm	5.03
Netherlands	3.1925 - 3.2030	3.1925 - 3.2025	⅛-parcpm	0.23	½-¼pm	0.47
Belgium	58.25 - 58.50	58.25 - 58.35	6-4cpm	1.03	11-6pm	0.58
Denmark	10.9025 - 10.9130	10.9025 - 10.9125	⅛-1¼oredis	-0.96	1⅛-2⅞dis	-0.80
Ireland	1.0625 - 1.0665	1.0635 - 1.0645	0.05-0.01cpm	0.34	0.10-0.04pm	0.26
Germany	[illegible]	2.8325 - 2.8375	¼-parpfpm	0.26	½-¼pm	0.44
Portugal	240.95 - 241.95	240.95 - 241.95	82-141cdis	-5.54	231-329dis	-4.64
Spain	180.35 - 180.75	180.40 - 180.70	48-56cdis	-3.46	136-150dis	-3.17
Italy	[illegible] - 2146.10	2142.00 - 2143.00	6-9lireldis	-4.20	19-25dis	-3.92
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. Six-month forward dollar 6.37-6.32pm. 12 Month 11.57-11.47pm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Aug 4	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
[illegible]						

Long term Eurodollars: two years 4⅛-4 per cent; three years 5⅛-5⅛ per cent; four years 5⅞-5¾ per cent; five years 6⅛-6 per cent nominal. Short term rates are call for US Dollars and Japanese Yen, others, two days' notice.

EXCHANGE CROSS RATES

Aug 4	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	Pta	Ecu
[illegible]												
Yen	[illegible]	[illegible]	[illegible]	1000.	39.17	10.38	13.08	8765	9.329	238.4	738.7	5.685
F Fr.	1.044	2.007	2.960	255.3	10.	2.650	3.339	2237	2.381	60.87	188.6	1.451
S Fr.	0.394	0.757	1.117	96.34	3.774	1	1.260	844.4	0.899	22.97	71.16	0.548
H Fl.	0.313	0.601	0.886	76.45	2.995	0.794	1	670.1	0.713	18.23	56.47	0.435
Lira	0.467	0.897	1.323	114.1	4.469	1.184	1.492	1000	1.064	27.20	84.27	0.649
C $	0.438	0.843	1.243	107.2	4.199	1.113	1.402	939.5	1	25.56	79.18	0.609
B Fr.	1.715	3.297	4.863	419.4	16.43	4.353	5.485	3676	3.913	100.	309.8	2.384
Pta	0.554	1.064	1.570	135.4	5.303	1.405	1.771	1187	1.263	32.28	100.	0.770
Ecu	0.719	1.383	2.040	175.9	6.891	1.826	2.301	1542	1.641	41.94	129.9	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls September	Calls December	Calls March	Puts September	Puts December	Puts March
104	-	-	-	0.16	0.72	-
105	0.75	1.71	-	0.40	1.05	-
106	0.30	1.18	-	0.94	1.50	-
107	0.10	0.76	-	1.73	-	-
108	0.02	0.49	-	2.64	-	-
Open Int.	154,061	256,913	8,875	121,565	83,569	6,905

Estimated volume 47,194 † Total Open Interest 632,688
† All Yield & Open interest figures are for the previous day.

* Contracts traded on APT. Closing prices shown.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.9220	1.9104	1.8893	1.8584	1.7429

BASE LENDING RATES

	%		%		%
Adam & Company	10	Credit Lyonnais	10	McDonnell Douglas Bnk	10
Allied Trust Bank	10	Cyprus Popular Bk	10	Midland Bank	10
AIB Bank	10	Dao Heng Bank Plc	11	Mount Banking	10
● Henry Ansbacher	10	Duncan Lawrie	10	NatWestminster	10
B & C Merchant Bank	10.5	Equatorial Bank plc	10	Northern Bank Ltd	10
Bank of Baroda	10	Exeter Bank Limited	10.5	Nykredit Mortgage Bank	10.5
Banco Bilbao Vizcaya	10	Financial & Gen. Bank	10	Provincial Bank PLC	14
Bank of Cyprus	10	● Robert Fleming & Co.	10	● Rea Brothers	10
Bank of Ireland	10	Robert Fraser & Ptnrs.	10.5	Roxburghe Bank Ltd.	11
Bank of India	10	Girobank	10	Royal Bk of Scotland	10
Bank of Scotland	10	● Guinness Mahon	10	● Smith & Williamson Secs.	10
Banque Belge Ltd	10	Habib Bank AG Zurich	10	Standard Chartered	10
Barclays Bank	10	● Hambros Bank	10	TSB	10
Brit Bk of Mid East	10	Hampshire Trust Plc	13.5	Unibank plc	10
● Brown Shipley	10	Heritable & Gen Inv Bnk.	10	● United Bk of Kuwait	10
CL Bank Nederland	10	● Hill Samuel	10	Unity Trust Bank Plc	10
Citibank NA	10	C. Hoare & Co.	10	Western Trust	10
City Merchants Bank	10	Hongkong & Shanghai	10	Whiteaway Laidlaw	10
Clydesdale Bank	10	Julian Hodge Bank	10	Yorkshire Bank	10
Co-operative Bank	10	● Leopold Joseph & Sons	10	● Members of British Merchant Banking & Securities Houses Association.	
Coutts & Co	10	Lloyds Bank	10		
		Meghraj Bank Ltd	10		

MONEY MARKETS

Futures drop further

STERLING futures again performed bearishly as the pound showed renewed weakness against the D-Mark on the foreign exchanges.

After opening at 89.69, the September short sterling contract dipped 6 basis points in the morning, shadowing the pound's drop to a low of DM2.8350 in European trading. In the late afternoon, the contract declined even further, to close at 89.61, as sterling weakened to DM2.8325 in New York.

The December short sterling contract, after opening at 89.81, slipped a net six basis points to a low of 89.74 in the morning. By the close, it had rallied slightly to 89.75.

Dealers again had mixed views about the extent of the bearishness. One clearing bank dealer said the fall in the September contract was insignificant, considering the low volume of trading.

A commercial bank dealer, however, said the bearish mood had been underlined by uncertainty over sterling's position in the European exchange rate mechanism and a call by the chairman of Abbey National, the British mortgage lender and retail banking group, for the government to give tax relief to people who sell houses at a loss.

Rates in the sterling cash market were slightly softer after the Bank of England forecast a small shortage of £300m. The fall in short-dated money fed through to the longer dates.

For most of the day, one-month money was offered at 10¼ per cent, after a previous close of 10$\frac{5}{16}$ per cent, and three-month money was down to 10⅜ per cent from 10$\frac{7}{16}$ per cent. But the three-month offered rate tightened to 10$\frac{5}{16}$ per cent in the late evening as sterling fell in New York.

In its discount market operation, the Bank of England dealt in only Band 2 bank bills at the established rate of 9¾ per cent. In the morning it purchased £10m and in the afternoon £11m. There was late assistance of £220m.

Eurolira futures rallied significantly yesterday after the Bank of Italy cut its official discount rate by ½ percentage point to 13.25 per cent on Monday night. The September Eurolira contract opened at 85.66, up 19 basis points from its previous close, and then climbed to finish at 85.93 for a day's rise of 46 basis points.

UK clearing bank base lending rate
10 per cent
from May 6, 1992

FT LONDON INTERBANK FIXING

(11.00 a.m. Aug.4) 3 months US dollars		6 months US Dollars	
bid 3$\frac{5}{16}$	offer 3$\frac{7}{16}$	bid 3½	offer 3⅝

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

4pm					
Prime rate	6	One month	3.47	Three year	4.75
Broker loan rate	5¼	Two month	3.16	Five year	5.70
Fed.funds	3¼	Three month	3.24	Seven year	6.18
Fed.funds at intervention	3¼	Six month	3.36	10-year	6.64
		One year	3.56	30-year	7.43
		Two year	4.30		

Aug.4	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.65-9.75	9.70-9.80	9.75-9.85	9.75-9.85	9.75-9.85	9.75
Paris	9$\frac{13}{16}$-9$\frac{15}{16}$	[illegible]	10⅛-10⅜	[illegible]	10⅛-10⅜	9.60
Zurich	-	-	-	-	-	-
Amsterdam	-	-	-	-	-	-
Tokyo	4$\frac{1}{16}$-4$\frac{3}{16}$	4$\frac{1}{16}$-4⅛	-	-	-	-
Milan	14⅝-14⅞	14⅝-14⅞	-	[illegible]	-	-
Brussels	9⅝-9$\frac{11}{16}$	9⅝-9$\frac{11}{16}$	-	9⅝-9$\frac{11}{16}$	-	-
Dublin	10$\frac{3}{16}$-10¼	10$\frac{3}{16}$-10¼	10$\frac{3}{16}$-10½	10$\frac{3}{16}$-10½	10$\frac{3}{16}$-10⅜	-

LONDON MONEY RATES

Aug 4	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	[illegible]					
Interbank Bid	[illegible]					
Sterling CDs	[illegible]					
Local Authority Deps.	[illegible]					
Local Authority Bonds	[illegible]					
Discount Mkt Deps	[illegible]					
Company Deposits	[illegible]					
Finance House Deposits	[illegible]					
Treasury Bills (Buy)	[illegible]					
Bank Bills (Buy)	[illegible]					
Fine Trade Bills (Buy)	[illegible]					
Dollar CDs	[illegible]					
SDR Linked Dep. Offer	[illegible]					
SDR Linked Dep. Bid	[illegible]					
ECU Linked Dep. Offer	[illegible]					
ECU Linked Dep. Bid	[illegible]					

Treasury Bills (sell); one-month 9½ per cent; three months 9⅜ per cent. Treasury Bills: Average tender rate of discount 9.6127 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day July 31, 1992. Agreed rates for period August 26, 1992 to September 22, 1992, Scheme I: 11.27 p.c., Schemes II & III: 11.46 p.c. Reference rate for period July 1, 1992 to July 31, 1992, Scheme IV&V: 10.188 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10½ from August 1, 1992. Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 6½ per cent; one-three months 9 per cent; three-six months 9 per cent; six-nine months 8½ per cent; nine-twelve months 8½ per cent; Under £100,000 7 per cent from May 6, 1992. Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

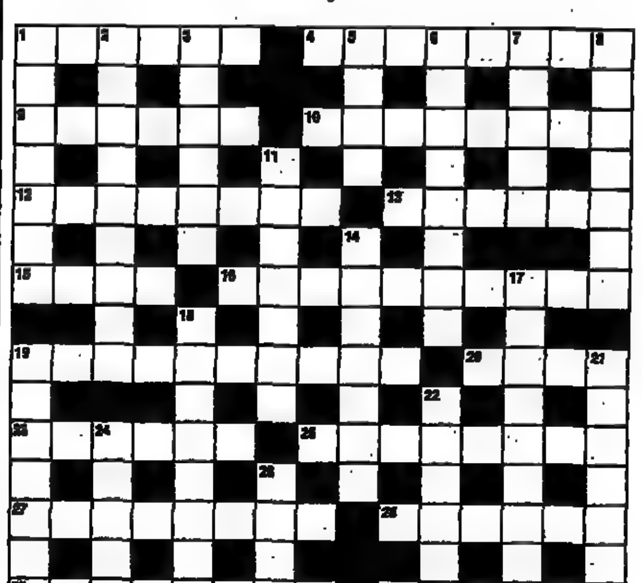
Money Market Bank Accounts

[illegible]

JOTTER PAD

CROSSWORD

No.7,917 Set by CINEPHILE



B has the same meaning in all the across clues

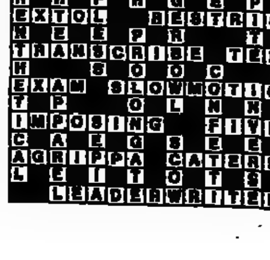
ACROSS

1 B goes to mountain: it's blue but could be .... (6)
4 .... the B from this tram .... (5,3)
9 .... or this same sort of B on the tree (6)
10 B on fire with love (8)
12 B to move one against war (4,4)
13 Swap knight for bishop in capital B (6)
15 B and B's back (4)
16 B fool from London borough? (5,5)
19 B for very small outlay on complaint (4,6)
20 B in the afternoon (4)
23 B at sea or on grass (6)
25 B takes little fellow from guardian of Tower (3-5)
27 B with load distributed among Labour (8)
28 B that strikes is silly (6)
29 B's husband briefly embraced by countryman (8)
30 Latin B stars, doing 100 yards with wildebeests (6)

DOWN

1 Signpost in hospital indicating direction (7)
2 It takes several pints to bring him luck with the navy (4,5)
3 I disposed of English princess in legend (6)
5 Sort of seaman takes up island (4)
6 Brush gum, possibly, in island airport (8)
7 Using ordinary keys, some of which are put on a lock (5)
8 Heavily defeat the Counter-Reformation (7)
11 Get too many weapons for ordinary bowling (7)
14 Flavour is found in a necessity (7)
17 Passed from green into wooden (9)
18 Sleepest uneasily on church towers (8)
19 Bungle when fixing higher wages? (5,2)
21 Apprehensive of trouble over Sun? (7)
22 Write classy line depicting poverty (6)
24 Free love comes in to be beaten (5)
26 Press club (4)

Solution to Puzzle No.7,916



WORLD STOCK MARKETS

CANADA

TORONTO

4:00 pm prices August 4

MONTREAL

4:00 pm prices August 4

Total Sales 9,956,300 shares

INDICES

NEW YORK

DOW JONES	Aug 4	Aug 3	Jul 31	Jul 30	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	3384 32	3395 40	3393.78	3391 89	3413 21 (1/6)	3172 41 (2/1)	3413 21 (1/6/92)	41 22 (2/7/32)
Home Bonds	101 98	102.04	102.13	102 13	102 13 (30/7)	98 41 (20/3)	102 13 (30/7/92)	54 99 (1/10/81)
Transport	1310 93	1314 76	1317 64	1328 75	1467 68 (20/2)	1269 74 (23/7)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	224.34	225 46	225 40	224 59	225.59 (3/1)	200 74 (8/4)	236 23 (2/1/90)	10.50 (8/4/32)

♦Day's High 3405 12 (3413.23) Low 3367.03 (3365.14)

STANDARD AND POOR'S	Aug 4	Aug 3	Jul 31	Jul 30	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	424 36	425.09	424.21	423 92	425 09 (3/8)	394 50 (8/4)	425.09 (3/8/92)	4.40 (1/6/32)
Industrials	498.83	499.51	498.11	497 80	499 51 (3/8)	470 91 (8/4)	499.51 (3/8/92)	3 62 (21/6/32)
Financial	36 51	36 66	36 60	36 63	36 66 (3/8)	32 40 (8/4)	36 66 (3/8/92)	8 64 (1/10/74)
NYSE Composite	233.39	233 66	233 15	232 89	233 66 (3/8)	217 92 (8/4)	233 66 (3/8/92)	4.46 (25/4/42)
Amer Mkt. Value	391 82	390 87	388 85	387 10	418 99 (12/2)	374 04 (26/6)	418 99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	581 32	582.36	580 83	578 80	644 92 (12/2)	547 84 (26/6)	644 92 (12/2/92)	54.87 (31/10/72)

	Jul 31	Jul 24	Jul 17	year ago (approx)
Dow Industrial Div Yield	3.07	3 17	3 13	3.07

	Jul 29	Jul 22	Jul 15	year ago (approx.)
S & P Industrial div yield	2 59	2 68	2 64	2.77
S & P Indl P/E ratio	29 31	28 50	28 95	19 02

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
JWP	2,267,500	6¼	- 2¼
Blockbuster	2,141,100	12⅞	..
Bethlehem Steel	1,891,900	13⅞	- ¼
Chrysler	1,853,900	22⅛	..
Merck	1,823,400	53	+ ⅛
Foodmaker	1,705,500	10	- 2
Monsanto	1,523,400	56¼	+ 3¼
Singer	1,447,800	23	+ ⅛
Mobil	1,344,000	65½	+ ½
RJR Nabisco	1,308,900	8⅞	..

TRADING ACTIVITY

† Volume (Millions)	Aug 4	Aug 3	Jul 31
New York SE	166 740	164 360	172 920
Amex	11 747	11 118	10 257
NASDAQ	(u)	141 297	168.785
NYSE			
Issues Traded	2,304	2,307	2,326
Rises	864	965	976
Falls	831	773	785
Unchanged	609	569	565
New Highs	138	129	144
New Lows	22	16	14

CANADA

TORONTO	Aug 4	Aug 3	Jul 31	Jul 30	1992 HIGH	1992 LOW
Metals & Minerals	3050.08	(c)	3076 09	3069 92	3238.87 (16/1)	2828.26 (8/4)
Composite	3426.04	(c)	3443 40	3425 60	3666.00 (16/1)	3318.10 (8/4)
MONTREAL Portfolio	1797.23	1804.98	1809 05	1801.30	1937.59 (16/1)	1727.04 (8/4)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Aug 4	Aug 3	Jul 31	Jul 30	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1612.5	1617.3	1617.7	1621.0	1684.50 (22/5)	1545.30 (9/4)
All Mining (1/1/80)	705.4	708.9	707 6	709.9	726 80 (3/7)	660.30 (2/1)
AUSTRIA						
Credit Aktien (30/12/84)	322.63	322.09	326.31	329.80	458.57 (24/2)	322.09 (3/8)
Traded Index (2/1/91)	770.60	766.91	782.62	792.16	1099.43 (24/2)	765.77 (27/7)
BELGIUM						
BEL20 (1/1/91)	1136.29	1137.78	1145.26	1141.18	1236.40 (2/6)	1097.23 (8/1)
DENMARK						
Copenhagen SE (3/1/83)	305.69	306.59	308.52	309.79	365.29 (15/1)	305.69 (4/8)
FINLAND						
HEX General (28/12/90)	686.5	683 1	683.0	685 8	935.90 (24/2)	683.00 (31/7)
FRANCE						
CAC General (31/12/82)	489.27	482.48	488 06	491.60	555.93 (12/5)	475.53 (2/1)
CAC 40 (31/12/87)	1787.63	1784 44	1754.67	1782.57	2077.49 (11/5)	727.49 (22/7)
GERMANY						
FAZ Aktien (31/12/58)	637.61	631.84	636 90	643 02	725.26 (26/5)	631.84 (3/8)
Commerzbank (1/12/53)	1802.5	1785.3	1798.5	1816.5	2043.80 (25/5)	1785.30 (3/8)
DAX (30/12/87)	1611.51	1594 71	1613.17	1623.99	1811.57 (25/5)	1578.73 (10/7)
HONG KONG						
Hang Seng Bank (31/7/64)	5859.78	5910.73	5881.13	5829.83	6162.53 (16/7)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1268 97	(c)	1273.16	1272.47	1469.57 (17/1)	1262.98 (28/7)
ITALY						
Banca Com. Ital (1972)	424.35	416 64	401.72	397 73	551.59 (6/2)	397.73 (30/7)
MIB General (2/1/92)	838.0	818.0	787.0	779.0	1086.00 (5/2)	779.00 (30/7)
JAPAN						
Nikkei (16/5/49)	15692.59	15709 45	15910.28	15555 60	23801.18 (6/1)	15095.95 (29/7)
Tokyo SE (Topix) (4/1/68)	1200 17	1207 44	1219.25	1193.48	1763.43 (6/1)	1170.93 (29/7)
2nd Section (4/1/68)	1693 86	1706 84	1708 48	1704 26	2459 85 (6/1)	1693 86 (4/8)
MALAYSIA						
KLSE Composite (4/4/86)	603.54	601.39	601.53	598 56	619 06 (28/2)	546.63 (14/1)
NETHERLANDS						
CBS Tot Rtn Gen.(End 1983)	291.9	291.6	290.8	289.7	314 90 (9/6)	274.00 (8/1)
CBS All Shr (End 1983)	199.4	199.2	198 6	198.0	215 50 (26/5)	192 40 (8/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	662.20	669 45	671.82	679.25	772.74 (18/5)	643.24 (20/7)
PHILIPPINES						
Manila Comp (2/1/85)	1491.98	1479 82	1499.50	1495 72	1580 95 (11/6)	1083 01 (17/3)
SINGAPORE						
SES All-Singapore (2/4/75)	390.59	388.18	389 64	388.84	416 99 (21/1)	370.13 (9/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	1028.04	1041.0	1069 0	1077.0	1327.00 (21/1)	1006.00 (24/4)
JSE Industrial (28/9/78)	4214.04	4215 0	4242 0	4230 0	4699 00 (4/6)	4103.00 (27/7)
SOUTH KOREA**						
Korea Comp Ex (4/1/80)	501.48	508.63	509.95	509.23	691.48 (8/2)	501.48 (4/8)
SPAIN						
Madrid SE (30/12/85)	217 77	216 15	216.32	215 68	266.51 (28/2)	211.35 (28/7)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	864.3	859.4	861.7	859.0	1014.50 (11/5)	834 70 (24/7)
SWITZERLAND						
Swiss Bank Ind (31/12/58)	841.7	839.0	813 2	815.2	883 40 (11/5)	748.58 (8/1)
SBC General (1/4/87)	634.5	632.0	619.7	621.5	682.30 (11/5)	601.10 (8/1)
TAIWAN**						
Weighted Price (30/6/66)	4088.18	4072.08	4108.52	4029.53	5391.63 (30/1)	3947.32 (29/7)
THAILAND						
Bangkok SET (30/4/75)	754 48	757.22	744 42	739 66	832.39 (7/4)	667 94 (19/5)
WORLD						
M S Capital Intl (1/1/70) (S)	494.7*	495.7	495 6	492.0	542.10 (7/1)	467.50 (8/4)
Euro Top-100 (26/6/90)	859.71	856.90	853.08	854.22	976 55 (25/5)	840 06 (27/7)

**Saturday August 1: Taiwan Weighted Price 4101 84, Korea Comp Ex 506.57.
& Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all Indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Tuesday 4 August 1992

	Stocks Traded	Closing Prices	Change on day
Meiji Milk Prod ...	3.0m	804	-31
Okamoto Inds .	2.8m	996	-25
Mochida Pharm ..	2.7m	2,760	-220
Konica Corp	2.2m	645	+ 14
Mitsubishi Heavy	2.0m	520	+ 6
NEC Corporation	1.2m	765	+ 15
Mitsui Fudosan ..	1.2m	809	-1
Jpn Mtl & Chem	1.2m	440	-13
Nippon Jutaki	1.1m	157	-10
Taiyo Fishery	1.1m	407	-8

AUSTRIA | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | FRANCE (continued) | GERMANY | GERMANY (continued) | NETHERLANDS | NETHERLANDS (continued) | NORWAY | ITALY | SPAIN | SWEDEN | SWEDEN (continued) | SWITZERLAND | SOUTH AFRICA | JAPAN | AUSTRALIA | AUSTRALIA (continued) | HONG KONG | MALAYSIA | SINGAPORE

Price data supplied by Telekurs.

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. (u) unavailable, § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

4:00 pm prices August 4

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	11⅞	AAR Corp x	0.48	3.8	20	210	13	12½	12¾	-⅛
28	18	A L Labs A	0.18	0.9	75	282	21⅛	21⅛	21¼	-¼
66¾	52⅝	AMP Inc x	1.52	2.8	21	2085	55	54½	55	-⅛
80¼	60⅞	AMR				232343	66½	65⅝	65⅝	-⅛
2⅛	1⅜	ARX			2	28	1⅝	1⅝	1⅝	
53½	38¼	ASA	2.00	5.1	28	385	39¾	39⅛	39⅛	-⅛
34¼	28⅛	Abbott Lab	0.60	2.0	22	8685	31½	30½	30⅝	-⅞
13⅞	12	Abitibi Pr	0.50	3.7	7	22	13⅜	13⅛	13½	
11⅝	10⅛	ACM Gvt In x	0.98	8.5		158	11⅜	11¼	11¼	-⅛
10⅜	9⅛	ACM GvOpp	0.94	9.8		126	9⅞	9⅝	9⅝	
9½	8½	ACM Gvt Sp x	0.82	8.7		298	9⅝	9⅛	9⅛	
11¼	10⅛	ACM Gvt Se	0.96	8.8		472	11	10⅞	10⅞	+⅛
10	8⅝	ACM Man	0.98	10.2		204	9⅝	9⅝	9⅝	
12⅞	10⅝	ACM Managd	1.21	10.8		132	11⅛	11⅛	11⅛	-⅛
11¾	4⅛	Acme Cleve x	0.40	5.7	13	162	7⅛	6⅞	7	+⅛
6¼	4⅜	Acme Elect			4	13	4⅞	4⅝	4⅝	-⅛
33¼	18⅛	Acuson			12	901	19	18⅜	18⅞	+⅛
19½	16⅛	Adams Expr	1.63	8.5	0	60	19⅜	19⅛	19⅛	-⅛
49⅛	29½	Ad Micro	3.00	8.7		150	34⅞	34½	34⅝	
21½	7½	Ad Micro P	3.00	32.0		36040	9½	9¼	9⅜	-⅛
9⅛	5	Advest Grp	0.16	2.8	80	92	5⅝	5½	5⅝	
37¼	33	Aegon ADR	1.68	4.5	6	65	37¼	36¾	37	
47	38⅜	Aetna Ll x	2.76	6.6	8	971	42⅞	42⅝	42¾	-⅛
12⅛	8⅜	Ahil A	0.24	2.0	14	488	u12⅛	11⅞	12	-⅛
34	24	Allec	0.44	1.3	18	903	33⅛	32½	32⅝	-½
19⅞	15⅛	Ahmanson	0.88	5.2		71910	17	16¾	16⅞	-⅛
22½	5¾	Aileen Inc			8	57	6⅛	6	6⅛	+⅛
49½	36½	Air Pr Chm	0.85	2.0		182884	42¼	42¼	42⅜	
29¾	12½	Airbrne Frt	0.30	2.2	28	229	13⅝	13⅛	13½	-⅛
34¼	22⅝	Airgas Inc			29	461	32⅞	31¾	31¾	-1½
12⅜	8⅛	Airlease	1.68	14.8	8	31	11⅜	11¼	11⅜	+⅛
104	99½	AlaPw8.16	8.16	7.9		z100	102½	102½	103	+½
106½	101½	Alab Pw 9P	9.00	8.6		2	103½	103½	104½	+1

NYSE COMPOSITE PRICES

Continued from previous page

- X - Y - Z -

30¼	24⅞	Xtra 1.94	1.94	6.4		1298	u31½	30¼	30¼	+¼
40	28½	Xtra Corp	0.80	2.0		152008	u42¼	40¼	41	+1
28⅞	25¼	Yankee Egy	1.66	5.8	13	61	u29½	29	29½	+⅝
1½	½	Zapata			26	159	1⅛	1	1⅛	
11⅞	6¾	ZenithElec				41628	7⅞	7⅛	7¼	-⅛
18½	14½	Zenith Nat x	1.00	5.4	9	77	18½	18⅜	18½	
7⅛	6	Zenix Inc	0.84	11.8		110	u7⅜	7⅛	7⅛	
13⅞	10	Zero Corp x	0.40	3.3	19	74	12	11⅞	12	
38	27⅞	Zurn Ind	0.88	2.9	33	124	30⅞	30½	30⅝	
14⅛	12	Zweig Fund	1.15	9.0		181	12⅞	12⅝	12¾	-⅛
11	9½	Zweig Tott	0.98	9.0		485	10⅝	10½	10⅝	

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices August 4

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Perini	0.80	25	38	12¼	12	12	-⅛
Pet HiP	1.14	18	15	18⅞	18⅞	18⅞	-⅛
Phil LD	0.21	17	380	42½	42	42	-¼
Pittway A	1.10	16	72	29½	29⅜	29⅜	+¼
Ply Gem	0.12	29	37	10⅜	10⅜	10⅜	
PMC	0.68	14	37	10	9⅞	10	+⅛
PresidioA	0.10	1	41	2	1⅞	1⅞	
Cal Engy		15	460	11⅞	11⅞	11⅞	-⅛
Calprop		0	123	1½	1⅜	1½	+⅛
Can Marc	0.24	13	3	13½	13½	13⅝	+⅛
Cmbre A		10	3832	9⅞	8⅞	9	-⅛
Chambers		12	260	10	9¾	9⅞	-⅛
Champion		37	2	3⅛	3⅛	3⅛	
Chiles		0	30	⅞	⅞	⅞	
Hasbro x	0.20	19	1140	31½	31	31¼	-⅛
Health Ch		8	17	1⅞	1⅞	1⅞	+⅛
Healthvst		187	28	2	1⅞	1⅞	-⅛
Heico Cp	0.15	18	z100	12⅝	12⅝	12⅝	
Hillhaven		3	617	2½	2⅜	2½	+⅛
Odetics A			300	z100	6	6	+⅛
Olsten	0.24	28	478	31⅝	30½	31⅜	+⅝
Oil Corp	0.14	7	z0	0	d0	6⅝	
Pall Corp	0.36	28	847	27⅞	27	27¼	-⅛
Pegasus G	0.10	35	1257	16⅛	16	16⅛	+⅛
Vivigen		56	148	15½	16⅛	15⅞	-⅞
WangLab C		1	31	4	3½	4	+⅛
WangLab B		1	3092	2⅛	2⅛	2⅛	
Weatherfd		16	1135	u5⅞	5⅞	5⅞	+⅛
Weisener	0.52	9	85	20½	20⅜	20⅜	-⅛
WIRET	1.12	15	110	12⅜	12⅝	12⅜	
Worthen	0.05	9	37	21⅞	21½	21⅝	+⅛
Xytronix		10	7	9½	9⅜	9½	

NASDAQ NATIONAL MARKET

4:00 pm prices August 4

Continued on next page

AMERICA

US equities retreat on sporadic profit-taking

Wall Street

US STOCK markets snapped a five-day winning streak yesterday as prices tended to ease amid occasional profit-taking, *writes Patrick Harverson in New York.*

At the close the Dow Jones Industrial Average was down 11.08 at 3,384.32. The more broadly based Standard & Poor's 500 lost only 0.62 at 424.47, while the Nasdaq composite shed 1.04 to 581.32. Turnover on the New York SE was again light, at 167m shares.

After five days in which the Dow, alternating between steep advances and modest gains, added more than 110 points, yesterday's mild correction was not totally unexpected. In the absence of important economic news (the day's only data, a 0.2 per cent decline in July leading economic indicators, was in line with expectations), and with no lead from the bond market, share prices turned softer on a lack of buying and sporadic profit-taking.

Trading was also subdued by a reluctance among investors to take large positions ahead of Friday's key employment report for July, which should give the latest reading on the conditions in the job market and which might, if sufficiently weak, produce another easing of monetary policy by the Federal Reserve. Analysts are expecting the job figures to show a 110,000 rise in non-farm payrolls and a slight decline in national unemployment to 7.7 per cent.

Monsanto was the feature of the day, jumping $3⅛ to $56½ in turnover of 1.4m shares after it announced the sale of its Fisher Control International unit to electronic products group Emerson Electric in a deal valued at $1.275bn. After the announcement, broking house Kidder Peabody immediately upgraded it rating on Monsanto from "hold" to "buy". The news of the deal left Emerson $1⅛ lower at $50.

Harris Corp rose $2⅞ to $31¾ after reporting fiscal fourth-quarter net income from continuing operations of 87 cents a share, up from the 69 cents earned at the same stage a year ago. Thiokol was also boosted by higher quarterly earnings, putting on $⅞ to $15⅞.

Going the other way on quarterly figures was Houston Industries, down $¾ at $46⅛ on news of the 60 cents a share earned during the April-June period, down slightly from a year earlier.

Bethlehem Steel was one of the most active stocks, dipping $¼ to $13⅝ in turnover of 1.8m shares after the steel group's 12m-share stock offering began trading yesterday.

On the Nasdaq market, Heart Technology fell $1½ to $12¾ after the company recorded a second quarter loss of 34 cents a share, compared with a 6 cents a share shortfall a year ago. Scios receded $⅜ to $10 after analysts warned that drug group Pfizer may not pursue its collaboration with Scios on a diabetes drug after the end of the year.

Canada

TORONTO share prices spent a quiet session in negative territory, closing with a solid decline.

The TSE 300 index retreated 17.4 to 3,426.0 and losing issues led gains by 292 to 211 after volume of 18.5m shares. The market was closed on Monday for a holiday.

The gold shares group posted the day's largest fall, losing 2.36 per cent. The New York gold price, although slightly higher yesterday, fell nearly US$5 an ounce on Monday.

Canadian Pacific reported lower second quarter earnings, and a six-month loss compared to year-earlier net income. The stock gained C$¼ to C$17¼.

Canfor, up C$⅛ at C$28, announced a significant reduction in its second quarter and six-month losses.

Spanish building stocks feel the pinch

Government efforts to rein in spending are bad news for the sector, says **Peter Bruce**

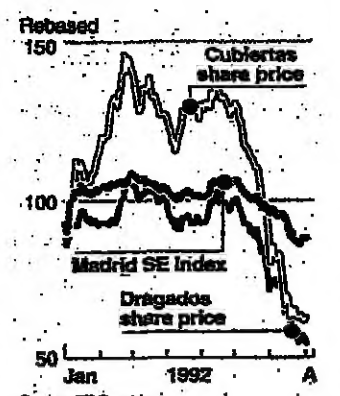
Between 1987 and 1990, shares in Spain's big construction companies were probably the best measure of the country's unprecedented economic boom. They are now a chillingly accurate barometer of the economy's rapid decline.

Since the beginning of the year, shares in most of Spain's 'Big Seven' quoted constructors – Dragados, FCC, Cubiertas, Huarte, Ocisa, Agroman and Lain – have fallen more than 50 per cent as it becomes clear that annual Spanish growth rates of 5 per cent or more are a thing of the past. Gross domestic product will, if the government is lucky, grow at 2 per cent this year and 1.5 per cent in 1993.

In a relatively poor country such as Spain, any increase in economic activity includes, almost by definition, the building of a road, a factory or an office block. For the most part, the state has been the biggest builder during the past six years, and it has also ensured that Spanish contractors have the lion's share of the work. As the government puts the brakes on new public projects, the danger of depending on the same institution for both business and protection has become manifest.

In an effort to control public spending, the government has been forced to announce tax increases and budget cuts for this year to save about $3.2bn. Interest rates have been raised and next year's budget, due to be presented in the autumn, will allow spending growth of around 8 per cent, the lowest in nearly 10 years. Most of that growth will probably be concentrated on social services, not infrastructure.

Spanish equity analysts desperately hope that a "yes" vote in the French referendum on Maastricht will restore some confidence in their market. But the current Spanish malaise may be beyond the power of French voters to influence. In spite of determined declarations by the government to rein in public spending in order to converge the Spanish economy with the rest of the European Community, it has also been determined in the past but has failed to do so.



Spending by regional governments and town halls, not affected by last month's fiscal package, is hard to control. The government has admitted that their spending was $3bn higher than thought in 1991 and has adjusted its calculation of the overall government deficit for last year from 4.4 per cent of GDP to 4.95 per cent.

Elections due to be held next year may mean that Mr Felipe Gonzalez, the prime minister, will have to form a coalition with the Catalan nationalist government and this would make it even more difficult to control regional spending.

This is bad news for the construction sector. The government is already delaying payments for completed work, and by the end of June it owed constructors about $8bn. Dozens of sub-contractors have been put out of business and share prices in cement companies have fallen sharply.

Fortunately for the construction companies, 1991 was a fat year as the country rushed to complete building for the Seville Expo and the Barcelona Olympics.

Investment in public works, however, is down almost 50 per cent so far this year and the private housing market has come to a virtual standstill. 1992 started out appearing to be a temporary setback for construction companies but it now looks like the beginning of a long haul.

Mr Paul Farrow, an analyst at brokers FG in Madrid, says: "The economy could go through two to three years of low growth, and for the constructors, size will be a determining factor. The big ones are better placed to ride out the problems."

Although FG is forecasting no change in dividend policy from the big quoted Spanish constructors – except, perhaps, at Agroman, which has borrowed heavily – it is predicting a decline of around 9 per cent in net profits and a 10 per cent fall in cash flow, for the sector this year.

It is hard not to sympathise with Spanish brokers, who have been declaring through much of this year that the end of the market's slide has arrived. In May, with the Madrid general index at around 270, a bottoming out was confidently announced. By this week, though, the index was nodding along at 216 with still no end to its fall in sight.

Foreigners have deserted Spanish equities in droves, and attractive valuations are not enough to lure them back. While the government struggles to get its spending under control what matters most is whether investors believe it can be done.

ASIA PACIFIC

Nikkei closes easier after another lethargic session

Tokyo

THE Nikkei average closed marginally lower after another slow session, as continuing lethargy weighed on investor sentiment, *writes Emiko Terazono in Tokyo.*

The 225-issue average lost 16.86 at 15,692.59. The index fell to the day's low of 15,600.76 in the morning on selling by dealers, but gradually improved on index-linked buying to reach 15,957.45 in the afternoon. Late afternoon profit-taking then depressed share prices and pushed the Nikkei back into negative territory.

Volume totalled a thin 150m shares, but exceeded Monday's 121m, a 10-year low. Declines led rises by 669 to 254, with 140 issues unchanged. The Topix index of all first section stocks shed 7.27 to 1,200.17, but in London the ISE/Nikkei 50 index put on 4.19 to 962.38.

Traders are becoming concerned that new public offerings will inflict further damage on an already sliding market. Initial public offerings resumed in May after a six-month suspension. Yamazaki Construction, which made its debut on the over-the-counter market this week, has been trading at 10 per cent below its initial offering price.

In spite of the market weakness, some 200 companies have completed listing preparations and are waiting for final approval. The Transport Ministry has also indicated its determination to float shares in JR East, a part of the former state-run Japan National Railways, by the end of this fiscal year.

Mr Keiwa Okuda, transport minister, said yesterday that JR East will file an application for listing with the Tokyo Stock Exchange at the end of this month. The Transport Ministry will negotiate with the Finance Ministry for a listing by early October.

Dealers continued to take profits on speculative theme stocks. Meiji Milk Products, the day's most active issue, fell Y31 to Y804 and Okamoto Industries lost Y25 to Y995.

Nippon Housing Loan, which is facing large problem loans, slipped Y10 to Y157. Reports of the company's involvement in stock price manipulation, and alleged tax evasion discouraged investors.

High-technology issues rose on buying by dealers. NEC moved ahead Y15 to Y765 and Hitachi Y10 to Y730.

Bank shares lost ground. Industrial Bank of Japan weakened Y40 to Y1,710 and Dai-Ichi Kangyo Bank Y20 to Y1,260.

In Osaka, the OSE average dipped 92.97 to 17,533.89 in volume of 6.8m shares. Small-lot selling by dealers depressed Ono Pharmaceutical, which receded Y150 to Y5,450, and Omron, down Y60 at Y1,070.

Roundup

PACIFIC Basin markets concentrated on local issues yesterday.

HONG KONG retreated on rumours of a rights issue by Hutchison Whampoa and a covered warrant issue by HSBC Holdings. The Hang Seng index relinquished 50.95 to 5,859.78 in turnover of HK$2.05bn.

HSBC declined HK$1 to HK$53 and Hutchison Whampoa surrendered 50 cents to HK$15.80.

SINGAPORE improved as investors sought blue chip stocks. The Straits Times Industrial index gained 10.77 to 1,455.75 and rises outpaced falls by 113 to 85. SIA foreign shares advanced 30 cents to S$17.40.

SEOUL fell on unsubstantiated rumours that Mr Kim Woo-choong, chairman of Daewoo Group, was planning to set up his own political party. The index closed 7.15 off at 501.48 in Won127.7bn turnover.

TAIWAN advanced in thin trading. The weighted index gained 16.1 to 4,088.18 in turnover of T$16.5bn. Plastics and electronics led the gains, with Acer rising 20 cents to T$19.

MANILA rose on bargain hunting. The weighted index put on 12.16 to 1,491.98 in turnover of 106m pesos.

KUALA LUMPUR's composite index edged up 0.72 to 602.11, but declines led rises by 137 to 97. Telekom Malaysia firmed 10 cents to M$14.

AUSTRALIA lost ground in dull trading. The All Ordinaries index shed 4.8 to 1,612.5. News that Woolworths was to be floated by its parent, Adsteam, later this year helped other retailers move ahead. Adsteam gained 3 cents to 28 cents, while David Jones rose 8 cents to 37 cents.

NEW ZEALAND saw a strong rally in the second-line issues. The NZSE-40 index appreciated 8.15 to 1,561.33 in turnover of NZ$21.92m.

BANGKOK lost early gains in the afternoon session, leaving the SET index a net 2.74 down at 754.48. Turnover came to Bt9.14bn. Declines outscored advances by 130 to 96.

There was active trading in finance and property shares, with Bangkok Land down Bt4 to Bt138.

BOMBAY drifted lower in thin trading as heavy rain kept traders away. The BSE index finished 36.16, or 1.3 per cent, off at 2,686.49.

EUROPE

Cut in Italian discount rate lifts continent

AN unexpected cut in the Italian discount rate late on Monday lifted bourses yesterday but volume was generally low, *writes Our Markets Staff.*

FRANKFURT took heart from better-than-expected half-year results from Dresdner Bank and turned broadly positive. Although Italy's discount rate cut encouraged some buying, the market remained nervous ahead of tomorrow's Bundesbank council meeting. The FAZ index was up 5.77 at 637.61 at midsession while the DAX index advanced 16.8 to 1,611.51, having seen an intra-day high of 1,617. Turnover rose to DM4.1bn from DM3.8bn.

The 15 per cent rise in Dresdner's first-half earnings provided an early fillip to the market and lifted other bank stocks. Its shares closed up DM7 at DM332 while Commerzbank improved DM4.20 to DM239.90 and Deutsche Bank, which reports its figures today, advanced DM4.90 to DM630.

Forecasts of higher full-year earnings helped Schering gain ground although it came off its intraday high of DM724 to close up DM1 at DM713. Other chemicals groups were firmer, BASF up DM3.50 at DM225.50 and Bayer up DM2 at DM267.80.

MILAN rallied for the second consecutive day following the half-point cut in the discount rate late on Monday. But traders said most of the activity was professional short-covering with little institutional demand. The Comit index rose 7.71 or 1.9 per cent to 424.35 in turnover estimated at more than Monday's L68.4bn.

The session was again hampered by technical problems in the screen trading system and the 35 shares listed on the *telematico* had to be traded on the floor by open outcry.

Banks were boosted by the lower interest rates, with San Paolo rising L50 to L10,450 and Mediobanca gaining L365 to L12,850.

PARIS came off the day's highs as the CAC-40 index closed just 3.19 higher at 1,787.63, down from 1,802.63, in low turnover of FFr1.2bn.

Peugeot dropped FFr8 to FFr677 on news that its new car sales fell 8.7 per cent in July from the same period in 1991.

Euro Disney rebounded FFr2.95 or 3.5 per cent to FFr86.75 but some analysts feared that it would be difficult for the stock to recover further because of the adverse sentiment towards it.

Another gainer was Synthélabo, the pharmaceuticals company, which rose FFr33 or 3.3 per cent to FFr1,035 following news of a sales increase of 9.7 per cent to FFr3.17bn in the first half.

ZURICH was stronger with the SMI index up 10.5 at 1,805.4.

Banks and insurers remained positive with Union Bank bearers adding SFr4 to SFr705 while Zurich Insurance bearers gained SFr15 to SFr1,945.

Lindt & Spruengli, the chocolate manufacturer, came under pressure after Mr Rudolph Spruengli, the company chairman, announced that he had secretly married a woman who is connected to a US religious sect. Its bearers tumbled SFr1,075 or 8.9 per cent to SFr11,000.

AMSTERDAM was satisfied with the 11 per cent rise in Akzo's first-half results. The CBS Tendency index rose 0.8 to 117.4.

Akzo also forecast improved full-year earnings and its shares gained Fl 3.40 to Fl 149.90. Fellow chemical group DSM put on 10 cents to Fl 103.20.

A number of "hold" recommendations have recently been issued on DSM in spite of its pleasing half-year figures released last week as many analysts believe that Akzo is better placed to benefit from an upturn in the global economy.

Philips put on 40 cents to Fl 24.90 ahead of tomorrow's results while Elsevier lost Fl 2 to Fl106.20.

BRUSSELS eased with the Bel-20 index down 1.5 to 1,136.28. Petrofina recovered BFr25 to BFr10,975 with 20,760 shares traded. Solvay was BFr75 stronger at BFr12,550 while Electrabel put on BFr50 to BFr4,555.

VIENNA rebounded but trading was light as the 18-share ATX index climbed 3.69 to 770.6.

STOCKHOLM advanced in thin trading as the Affärsvärlden General Index rose 4.9 864.3 in turnover of SKr274m after SKr182m.

FT-SE Eurotrack 100 - Aug 4

Hourly changes

Open	10.30am	11 am	12 pm	1 pm	2 pm	3 pm	close
1080.15	1080.33	1079.06	1077.54	1076.16	1075.70	1076.65	1076.44

Day's High 1080.72 — Day's Low 1075.42

Aug 3	Jul 31	Jul 30	Jul 29	Jul 28
1069.17	1067.77	1068.92	1077.69	1058.38

Base value 1000 (26/10/90).

SOUTH AFRICA

JOHANNESBURG came off early lows on bargain-hunting. The industrial index closed 1 lower at 4,214, while the overall index was 14 weaker at 3,394. The gold index lost 13 to 1,028. *De Beers ended 75 cents easier at R77.*

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY AUGUST 4 1992								MONDAY AUGUST 3 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (69)	141.26	−0.7	108.96	113.62	108.33	126.72	−0.3	4.31	142.20	109.58	114.38	109.12	127.12	153.68	140.94	149.90
Austria (19)	153.28	+0.4	118.23	123.29	117.54	117.74	+0.2	2.48	152.61	117.60	122.76	117.11	117.52	186.70	150.55	176.53
Belgium (42)	147.63	+0.5	113.88	118.74	113.21	110.50	+0.0	5.57	146.91	113.20	118.16	112.73	110.50	152.27	135.87	132.40
Canada (114)	127.73	−0.7	98.53	102.73	97.94	109.69	−0.5	3.18	128.58	99.08	103.42	98.66	110.24	142.12	124.32	139.05
Denmark (35)	236.44	−0.3	182.39	190.19	181.32	182.50	−0.5	1.92	237.21	182.79	190.81	182.03	183.41	273.94	226.81	260.38
Finland (15)	72.50	+1.6	55.93	58.32	55.60	61.61	+1.5	2.29	71.36	54.98	57.40	54.76	60.67	89.80	69.74	101.24
France (104)	159.19	+0.2	122.79	128.04	122.06	124.41	+0.1	3.62	158.80	122.37	127.73	121.85	124.24	168.75	146.06	131.82
Germany (64)	119.97	+1.0	92.54	96.51	92.00	92.00	+1.0	2.49	118.76	91.51	95.54	91.13	91.13	129.69	114.67	108.47
Hong Kong (54)	243.99	−0.8	188.21	196.25	187.11	242.17	−0.8	3.38	245.90	189.48	197.79	188.70	244.07	259.55	176.36	167.59
Ireland (16)	159.09	+0.4	122.71	127.96	121.99	124.05	+0.2	4.25	158.40	122.06	127.41	121.55	123.86	173.71	151.78	156.17
Italy (78)	67.07	+2.3	51.73	53.94	51.43	55.84	+2.2	3.72	65.58	50.53	52.75	50.32	54.61	80.86	61.30	76.18
Japan (473)	93.37	−0.6	72.03	75.11	71.61	75.11	−0.6	1.13	93.90	72.36	75.53	72.07	75.53	140.95	88.70	130.87
Malaysia (69)	243.38	+0.3	187.74	195.76	186.63	234.47	+0.3	2.68	242.56	186.91	195.10	186.12	233.68	250.47	212.49	221.89
Mexico (18)	1395.44	−0.6	1076.41	1122.45	1070.09	4741.89	−0.6	1.26	1403.24	1081.31	1128.72	1076.81	4772.23	1789.77	1303.41	1129.52
Netherland (25)	163.48	+0.4	126.11	131.50	125.37	124.09	+0.3	4.52	162.77	125.43	130.93	124.91	123.73	167.29	147.88	140.66
New Zealand (14)	46.43	+0.4	35.81	37.35	35.61	45.21	+0.4	5.02	46.27	35.65	37.22	35.50	45.05	48.52	42.01	47.04
Norway (23)	166.08	−1.2	128.11	133.59	127.36	130.80	−1.3	1.93	168.12	129.55	135.23	129.01	132.52	192.95	161.26	203.21
Singapore (38)	209.21	+0.8	161.38	168.28	160.43	155.27	+0.8	2.13	207.58	159.96	166.97	159.29	154.06	229.63	192.76	197.82
South Africa (61)	205.77	+1.1	158.72	165.51	157.79	170.85	−0.6	2.98	203.45	156.77	163.64	156.11	171.85	263.60	194.69	245.07
Spain (49)	141.50	+0.8	109.15	113.82	108.51	100.71	+0.6	5.83	140.45	108.22	112.97	107.77	100.07	161.72	136.49	151.67
Sweden (30)	190.77	+0.9	147.16	153.45	146.30	151.30	+0.8	2.72	189.04	145.67	152.06	145.07	150.14	200.28	173.09	190.08
Switzerland (62)	111.95	+0.3	86.36	90.06	85.86	91.62	+0.4	2.34	111.66	86.04	89.82	85.70	91.27	113.88	95.99	94.28
United Kingdom (228)	183.49	−0.6	141.54	147.58	140.70	141.54	−0.5	5.26	184.65	142.29	148.51	141.68	142.29	200.07	165.85	175.88
USA (522)	172.86	−0.1	133.34	139.05	132.56	172.86	−0.1	2.90	173.10	133.39	139.24	132.84	173.10	173.10	160.92	158.24
Europe (790)	148.63	+0.1	114.65	119.56	113.98	114.76	+0.1	4.20	148.44	114.38	119.40	113.91	114.62	156.88	139.31	138.94
Nordic (103)	175.80	+0.3	135.61	141.41	134.82	132.97	+0.2	2.38	175.27	135.01	140.93	134.45	132.72	188.52	169.29	189.34
Pacific Basin (717)	100.17	−0.5	77.27	80.58	76.82	81.64	−0.5	1.51	100.72	77.61	81.02	77.29	82.07	141.97	94.40	132.30
Euro-Pacific (1507)	119.77	−0.2	92.39	96.33	91.84	95.34	−0.2	2.86	120.02	92.48	96.53	92.09	95.53	145.21	113.80	135.27
North America (636)	170.03	−0.2	131.16	136.78	130.41	168.55	−0.2	2.91	170.31	131.24	137.01	130.72	168.82	170.31	156.70	156.97
Europe Ex. UK (562)	127.40	+0.7	98.27	102.49	97.72	99.25	+0.6	3.43	126.53	97.50	101.80	97.12	98.67	132.98	121.81	116.97
Pacific Ex. Japan (244)	167.21	−0.4	128.98	134.52	128.24	149.43	−0.3	3.59	167.93	129.40	135.10	128.88	149.88	175.31	149.00	146.46
World Ex. US (1700)	121.77	−0.2	93.93	97.95	93.38	97.76	−0.2	2.86	122.01	94.02	98.15	93.63	97.98	146.91	116.45	137.14
World Ex. UK (1994)	133.76	−0.1	103.18	107.60	102.59	118.55	−0.1	2.57	133.92	103.19	107.72	102.77	118.72	150.58	127.21	140.11
World Ex. So. Af. (2161)	137.65	−0.2	106.18	110.73	105.57	120.20	−0.2	2.87	137.91	106.27	110.94	105.84	120.42	153.05	130.04	142.56
World Ex. Japan (1749)	162.84	−0.1	125.61	131.00	124.89	146.95	−0.1	3.39	162.93	125.55	131.07	125.05	147.06	165.40	153.20	151.14
The World Index (2222)	138.06	−0.2	106.49	111.05	105.88	120.67	−0.2	2.87	138.30	106.57	111.25	106.13	120.90	153.70	130.68	143.23

Constituent change with effect 5/8/92: Deletion: Australian Cons.Invs.(Australia) Markets closed 3/8/92 Canada and Ireland.